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WORKING OF THE REGIONAL RURAL BANKS IN EASTERN UTTAR PRADESH



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MOHD. SALMAN ANSARI

M. Com.

Under the Supervision of

DR. SARFARAZ AHMAD ANSARI

M. Com. D. Phil., F.D.P.M.

DEPARTMENT OF COMMERCE AND BUSINESS ADMINISTRATION
UNIVERSITY OF ALLAHABAD
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P R E F A C E

India has been in the grip of poverty not because it is agricultural country in nature but because its agriculture is backward. Majority of the population resides in the country side and depends upon agriculture for its livelihood. Rural poverty has been the outcome of agricultural backwardness. The industrial development is closely related to agricultural development, whereas economic development of a country depends to a large extent on its industrial development. The level of income of the farming community has always been low because the income pattern depends on the nature and capacity of particular occupations. For example, per capita income of an industrial worker is generally higher than that of agricultural labourers. Thus, owing to this poverty resulting from low levels of income of the farming community and consideration of agriculture as "a way of life" and not "a business proposition" the Indian agriculture has been starved of capital investment and that is one of the main reasons behind its backwardness. This is the reason of the backwardness

of the country and of the State of Uttar Pradesh and particularly the Eastern Uttar Pradesh which is predominantly agricultural and where 89 percent of the population lives in rural areas as per census of 1981.

In a country of the size and regional disparities like India, all the emerging requirements could not be expected to be met by a single pattern of financial institutions like cooperative credit societies or commercial banks. Various efforts, such as introduction of the scheme of "social control of banks" followed by their nationalisation, were made by the government for pumping credit into the rural areas to make the Indian agriculture well developed but those efforts could not serve the purpose. It is against this background that the Regional Rural Banks, as a link in the chain of rural financing institutions, came into existence in October 1975.

These new types of banks having some special features of their own making them distinct from the commercial banks had to shoulder the responsibility of carrying the blessings of banking to rural and backward areas. They had to finance already starved priority sectors only. They had to combine the better features of both commercial and cooperative banking systems and had to avoid the disabilities that were inherent in them. Since 1975, the Regional Rural Banks have continuously been endeavouring to act on the lines and according to the objectives which were spelt at the time of their inception and they have, no doubt, attempted to solve the problems of credit,

particularly the long-term credit to a significant extent enabling the cultivators to improve the productivity of their lands and to step up their income. In some cases, as it is said, this new innovation has created some new problems such as many of them have eaten up their capital. It is, of course, a big problem and to overcome this problem, it will be better to say "take care of the copper and silver will take care of itself." It is only the government policy that is responsible for such problems and, therefore, needs improvisation.

Before undertaking this study entitled as "Working of Regional Rural Banks in Eastern Uttar Pradesh" various questions came into mind — would this institutional innovation strengthen the rural credit structure? Would these banks overcome the disabilities of the cooperative and commercial banking system and supplement the existing institutional agencies? Whether the addition of new type of institution was necessary and whether the solution might not be an adaptation and modification of the existing structure? Whether they will be economically viable as they were established primarily with the objective of providing credit to priority sectors only? And should there be total replacement of the rural branches of the commercial banks by Regional Rural Banks and their branches. This study aims at finding out the answers to these very questions and for this one of the most backward sections of the country, i.e., Eastern Uttar Pradesh has been selected.

In the selection of this region for the present work,

a number of factors were taken into consideration. The study area must be an ideal unit for development of which the banking should be considered as the best gadget. The region should also be a symbol of the true socio-economic situations prevailing in India. Both of these considerations could hardly be reflected better in any other part of India than the Eastern Uttar Pradesh. It is one of the most populous sections of the country with a predominantly agricultural economy, illiteracy, unskilled labour, mass unemployment and under-employment, less developed secondary sector and above all poor banking services from the organised money market. Its proverbial backwardness has posed a number of problems.

A number of studies have been made earlier on the various aspects of the region but Eastern Uttar Pradesh has not been defined and delineated accurately. Every researcher took the region in his own way. For the present study Eastern Uttar Pradesh has been taken as delineated by the National Council of Applied Economic Research, New Delhi. Keeping into account contiguity, topography, population density, cropping patterns and climatic conditions, the State of Uttar Pradesh has been divided into five regions which may be called the economic divisions. The regions delineated are (i) Hill Region; (ii) Western Region; (iii) Central Region; (iv) Eastern Region; and (v) Bundelkhand Region. All the 15 districts of Eastern Region — Allahabad, Azamgarh, Ballia, Basti, Bahraich, Deoria

Faizabad, Ghazipur, Gonda, Gorakhpur, Jaunpur, Mirzapur, Pratapgarh, Sultanpur and Varanasi -- have been included in this study.

In the thesis, the entire theme of the "Working of Regional Rural Banks in Eastern Uttar Pradesh" has been classified into seven chapters. The arrangement of chapters does not follow any basic principle or formula correlating them. They have simply been arranged on the pattern for the sake of convenience, easy handling and understanding. Chapter one attempts to describe the perspective in which the work has been undertaken, the hypothesis formulated and the methodology adopted, etc. Chapter second deals with the evolution of banking in India. It has been discussed in two parts. First part discusses the practice of banking in India from the time when the rest of the world had ^{yet} to evolve the medium of exchange to the time when banks were nationalised in India. The other part deals with the position of banking after nationalisation till the Regional Rural Banks were established. Chapter three throws light on the sources of rural finance in India including both the organised and unorganised money markets. The geographical, economic and social conditions of Eastern Uttar Pradesh have been discussed in chapter 4. Chapter 5 explains how the Regional Rural Banks emerged. Apart from the genesis and rationale of the scheme of Regional Rural Banks, it also explains the meaning, objectives, functions, management and legislation of Regional Rural Banks. These banks differ from the then commercial banks

from many angles. Alongwith the points of differences between the two, the present position of Regional Rural Banks has also been shown in this chapter. Chapter 6 attempts to assess the overall performance of the Regional Rural Banks of Eastern Uttar Pradesh with reference to the objectives for which they were set up. The performance has been assessed with reference to a number of criteria. In this section, the performance of Regional Rural Banks of Eastern Uttar Pradesh has also been compared with that of All Uttar Pradesh and All India. Chapter 7, the last chapter of the thesis, concludes the entire study into few pages. It suggests the ways and means for improving the working of Regional Rural Banks and for making them economically viable.

I will be failing in the moral duty of a researcher if I do not acknowledge the debt of gratitude to all those persons whose guidance, encouragement, inspiration and timely help paved for me the way to the completion of this enormous task. As the crown of all such sources of inspiration, I owe my deepest gratitude to my learned teacher and scholar Dr. Sarfraz Ahmad Ansari, and Business Administration, Lecturer Department of Commerce, Allahabad University, Allahabad, who was untiring in pushing me on and ever enriching with valuable guidance for more and more studies alongwith his valuable suggestions and sterling advice.

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Department of Commerce
and Business Administration
University of Allahabad
Allahabad


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(Mohammad Salman Ansari)

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CHAPTER I

INTRODUCTION

The field of rural finance is very vast and the problems related therewith are varied and complex. It has a very wide scope for further experimentation and innovation so that the new ideas may be tried out, new policies may be formulated, new institutions may be evolved for making the dispensation of credit efficient and effective.¹ Establishment of five Regional Rural Banks (RRBs) — a new type of institution — on October 2, 1975 was an experiment for the purpose. This innovation in Indian Banking System aimed at combining the strength and the managerial capability of the commercial banking system with the spirit of the cooperative system. This innovation got success and subsequently more RRBs were established and are being established.

In the last few years the rural banking and agricultural finance have become important economic and political issues in India and a subject of both practical importance and academic

1. "Reading Material Kit" Prepared after "Orientation Seminar for NABARD/RBI Officers on RRBs Board" at Bankers' Institute for Rural Development, Lucknow (July 30 to August 1, 1984). Chapter 3(1) "Report of the Working Group on Rural Banks (Narasimham Committee)", pp. 12-13.

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analysis for two reasons :

- (i) rural banks as subsidiary banks of the commercial banks have contributed towards rural development and are doing well in the field of rural finance; and
- (ii) the relatively heavier dependence of Indian population on agriculture which will continue to be the main source of livelihood for a long time to come.

Agriculture in India, it seems, will not only be the main source of livelihood but will also continue to be the main source of employment for all time to come because of two reasons. Firstly, it supplies raw materials for industries and wage goods; and secondly, it provides employment directly through multiplier effects.

Thus, agriculture serves the twin purpose of Indian economy. In spite of this, the institutional finance agencies have done precious little for the sector rightly considered to be the backbone of Indian economy. In order to fill up this gap in rural credit, two main steps were taken. First, the cooperative system, on the recommendations of the All India Rural Credit Survey Committee headed by Mr. A.D. Gorwala, was strengthened by converting the Imperial Bank of India into the State Bank of India so that it may provide the required financial support to the cooperatives. Secondly, the major commercial banks of the country

were brought under government control and thereafter nationalised for the purpose.

There are still several areas in the country where neither the cooperatives nor commercial banks have made much progress in rural lending. Many of these areas also are those which are now agriculturally backward but which hold out promise and potential for development and where, because of the insufficient progress of institutional lending, the farmers especially the small farmers used to be dependent on the traditional non-institutional sources. Eastern Uttar Pradesh is one of those most backward and affected areas.³

Not only the eastern region but the entire State of Uttar Pradesh, out of 25 states and 7 Union Territories of India, is relatively rural and backward for variety of reasons. For example, the per capita income, per capita plan outlay, per capita central assistance of this State have been quite lower than those in other states and the average of all states excluding U.P. It was only at the dawn of independence when Uttar Pradesh was considered a "developed" state with its strong agricultural base and a few industries such as sugar, textiles, leather etc. The per capita income of the State in 1950-51 at Rs. 259.62 (on the basis of 1948 constant prices) was higher than the national per capita income by Rs. 12.12. After that the per

3. "Reading Material Kit", op.cit., p. 11.

capita income of the state lagged behind the All India average. It is evident from the following table :

Table 1.1 : Per Capita Income of U.P. and India

Year	Uttar Pradesh	India	at constant prices of
	Rs.	Rs.	
1950-51	260	243	1949-49
1960-61	246	307	1960-61
1965-66	245	307	1960-61
1969-69	248	319	1960-61
1970-71	486	633	at current prices
1980-81	1313	1758	at current prices

Source : 1. Singh, Charan : "Stress on Farm Productivity and Industries." Commerce Vol. 121, No. 3104, Bombay October 31, 1970, p. 14.

2. "Facts for You" Vol. 7 No. 11 May, 1986, p. 24.

3. Shankar, Kripa : "Economic Development of U.P." Arthik Anusandhan Kendra, Allahabad, 1970, p. 18.

In 1970-71 Rs. 486 was the lowest per capita income of Uttar Pradesh except Jammu and Kashmir, Orissa, Bihar and Rajasthan. In 1980-81, the per capita income of U.P. was Rs. 1313 while it was Rs. 1758 for the country. The per capita rural income of the State also lagged behind to that of other states and the country. In 1979-80 it was Rs. 601 in U.P. and Rs. 638 for the country while 98.45 per cent area of U.P. is rural and 82.05 per cent population of the state, as per Census of 1981, resides

in rural areas. The annual growth rate of Uttar Pradesh was also found lowest except Rajasthan (0.5) and Madhya Pradesh (0.2) in 1979-80 (at 1970-71 prices) while the All India average was 2.9. The highest growth rate was seen in Gujarat (3.6) followed by Jammu and Kashmir (6.3) and Haryana (5.3).⁴ Similarly the per capita plan outlay and per capita central assistance has also been lower than the all States average excluding U.P.⁵ It may be seen in Annexure 1-A.

Not only the politics in Uttar Pradesh was too complicated to allow the administration time enough to sustain and enhance the economic situation, but the investments in Uttar Pradesh by the financial institutions have also been very low as compared to All India level. The per capita bank credit and deposit in U.P. were also much below the All India average. The credit deposit ratio of 32.2 in the State was less than half of the All India ratio of 70.5. It may be called step-motherly treatment of Uttar Pradesh by the financial institution inasmuch as they raised deposits in the State and invested the funds elsewhere. The following table clearly shows the investments and credit deposit ratio etc. in Uttar Pradesh vis-a-vis All India.

4. "Facts for you" op.cit., p. 24.

5. Singh, Charan, op.cit., p. 16.

Table 1.2 : Investments in U.P. by the Financial Institutions vis-a-vis the All India Total

Institutions	Period	Sanctions (in crores of Rs.)		
		India	U.P.	Col.4 as % of col. 3
1. Industrial Development Bank of India	1964-68	227.07	10.67	4.7
2. Agricultural Re-finance Corporation	Upto June 1968	90.59	2.81	3.1
3. Industrial Finance Corporation of India	1948-69	305.05	21.83	7.2
4. Industrial Credit and Investment Corporation of India.	Upto Dec. 1967	200.07	9.05	4.5

Source : Charlu T.G.K. "U.P. Forges ahead Towards Industrial Growth" Commerce, op.cit., p. 18.

Table 1.3 : Banking Facilities in U.P. (As on Dec. 31, 1968)

Particulars	Unit	U.P.	India
Bank Offices	Number	693	7332
Bank office per lakh of population	"	0.8	1.4
Bank Deposits	Rs. Crores	357	4473
Bank Deposits per capita	Rupees	41	85
Bank Credit	Rs. Crores	115	3159
Bank Credit per capita	Rupees	13	60
Credit Deposit Ratio	Percentage	32.2	70.5

Source : Ibid., p. 12

The entire state of Uttar Pradesh has been divided into five regions -- namely the Hill Region comprising 8 districts; the Western Region comprising 19 districts, the Central Region comprising 10 districts; the Bundelkhand Region comprising 4 districts; and the Eastern Region comprising 15 districts. Out of these regions, the Eastern Region, the focus of this study, is one of the most backward parts of the State. Substantiating this the Pandey Working Group appointed by the Planning Commission thus remarks, "Within the State, there are regions with different levels of economic development. There are three particularly depressed areas : (a) eight hill districts (excluding the plains of Dehradun and Nainital districts); (b) 15 districts of Eastern Region; and (c) four districts of Bundelkhand Region."⁶

Eastern Uttar Pradesh is actually deplorable from the point of view of backwardness and stagnation. The districts of Eastern Uttar Pradesh are densely populated. The per capita income of this region is also lower as compared to the per capita income for the State. The percentage of rural population is very high in this region. Moreover, there is lack of industrialisation in this region and dearth of employment opportunities is also one of the characteristics of this region which has forced a large number of persons in this region to go outside the State and the country for employment. Persons of Eastern Uttar Pradesh abound in the cotton textile factories of Bombay and Ahmedabad

6. Commerce, op.cit., p. 12.

jute mills of Calcutta, coal mines of Bihar, in the tea gardens of Assam, and in different fields in foreign countries particularly in the middle east countries. Inspite of high migration, the percentage of wholly unemployed in eastern districts is higher than the percentage of the western districts of the State. ⁷

Thus, from many angles the eastern region is backward and all these reasons act as the causative force behind the extreme poverty here. It is largely due to the fact that the investments made here have been very inadequate. Resource scarcity has been one of the major bottlenecks in the development of eastern districts of the State. For several decades in the past, cooperatives (consisting of (i) short-term agricultural credit societies; and long-term agricultural institutions) were the main institutions contributing towards rural development. The cooperatives were created, among various reasons, with a view to replacing the prevailing exploitative institutions of money lenders which had established a stronghold in the rural credit market. The cooperative movement was given due recognition, encouragement and concession by the government but it suffered from many disabilities.

The commercial banks have since long been the urban oriented banks with urban bias. "For a long time a commercial

7. Shankar, Kirpa : "Economic Development of Uttar Pradesh" Arthik Anusandhan Kendra, Allahabad, 1970, p. 10.

bank in most parts of India has been a distant institution, an institution meant for the well-to-do urban elite; certainly an institution which was a little frightening experience with its aura and stern traditional character.⁸ It is only one and half decades ago (i.e. after nationalisation) that they entered the field of rural finance. But most of the rural branches of commercial banks became "what the banks call deposit centres rather than advance centres."

Owing to the disabilities of the cooperatives and the urban bias of the commercial banks the problems of the small and marginal farmers in particular relating to availability of credit etc. remained the same. The weaker sections of the communities in rural areas were left high and dry. Against this background, the Reserve Bank of India set up the Banking Commission which recommended the establishment of a new type of institution to be called "Rural Banks". In the light of the Banking Commission's recommendations, the Government of India constituted a Working Group which examined in depth, the setting up of new "Rural Banks" and in its report submitted to the Government on July 30, 1975 made similar recommendations. The Group envisaged a new institution which combines the local feel and familiarity with rural problems which cooperatives possess and degree of business organisation, ability to mobilize deposits, access to central money market and modernised outlook which the commercial banks have.⁹

8. Mehta, R.C. and Panandikar, V.A. *Pai "Rural Banking"*, op.cit., p. (ii).

9. Reading Material Kit, op.cit., Chapter 2, p. 1.

Thus the Regional Rural Banks came into existence.

OBJECTIVES :

Thus, neither the cooperatives nor the commercial banks could satisfactorily meet the requirements of rural credit. In this background the setting up of a new type of institution was felt necessary. This study has been undertaken to find out as to what extent this new type of institution got success in providing credit to the already starved sector of the economy. In other words, the main objectives of this study are :

- (i) to trace the historical perspective of banking in India, in general, and that of rural banking, in particular;
- (ii) to find out the sources of rural finance in India before the emergence of Regional Rural Banks;
- (iii) to find out the weaknesses of the then existing institutional agencies for rural finance;
- (iv) to examine the economic landscape of the Eastern Uttar Pradesh;
- (v) to analyse the performance of the Regional Rural Banks in Eastern Uttar Pradesh and to compare the same with their working in other parts of the State.
- (vi) to suggest the ways and means to improve the working of the Regional Rural Banks.

HYPOTHESIS :

For this study, the following hypotheses have been formulated :

- (i) The available sources of rural finance in India before the establishment of the Regional Rural Banks were insufficient to cater to the credit needs of the rural masses;
- (ii) The quantitative progress of Regional Rural Banks in terms of deposits, credit and branch expansion in rural areas is commensurate with the objectives for which they were established.
- (iii) The Regional Rural Banks have helped in reducing the regional disparities with regard to the availability of banking facilities.
- (iv) The Regional Rural Banks have removed the defects of the indigenous, cooperatives and commercial banks.

SCOPE OF THE STUDY :

As observed in the foregoing paragraphs that Eastern Uttar Pradesh is one of the most backward regions of the country which is predominantly agricultural and where the proportion of the population belonging to weaker sections is high. The scheme of RRBs was launched as a desirable form of organisation to remedy the economic distress of the poorer classes, in general, and of the agricultural masses, in particular. Since their establishment, the RRBs have been doing well in the best interest of the country. With some gaps here and there they, by and large, responded well to the demand made upon them. This is unprecedented in the history of banking. In spite of this, serious

thought is being given in the concerned quarters to merge the RRBs with their parent nationalised banks in view of their unsatisfactory performance.¹⁰ It is in these perspectives that the working of RRBs in Eastern Uttar Pradesh is being judged so that the real performance may be known and the measures for the improvement in their working may be suggested. The study entitled as "Working of Regional Rural Banks in Eastern Uttar Pradesh" has the following scope :

- (i) The performance of the RRBs throughout the country is said to be unsatisfactory only due to the mounting losses they are incurring as a result of rising cost of operation. At the end of June 1986, the accumulated losses amounted to Rs. 61.36 crores against the previous year's losses of Rs. 57.11 crores.¹¹ In this study focus has been thrown on the causes of escalating losses and remedial ways have been suggested to make them economically viable. Although the study is confined only to the eastern part of Uttar Pradesh, yet the findings may be, to a large extent, applicable to all the RRBs of the State and the country, with due consideration for the regional variations.

10. The Economic Times, New Delhi, October 26, 1986, p. 8.

11. The Economic Times, New Delhi, April 6, 1987, p. 1.

- (ii) The working of the RRBs have been examined in terms of various criteria which were also adopted by the Dantwala Committee in 1978. But the main emphasis is on the deposit mobilisation, credit deployment, recovery performance and financial viability of RRBs.
- (iii) The establishment of RRBs was recommended on the major premise that the then existing financial institutions could not meet the varied and growing needs of rural credit. The charges against those credit institutions, particularly the cooperative and commercial banks, have also been examined during the course of the present study.

METHODOLOGY OF THE STUDY :

The scheme of RRBs has culminated into a life process for agricultural resurgence of the country and as such an enquiry into different aspects of its growth will be revealing as well as interesting. The comprehensive and detailed examination of the working of RRBs could be done either on the basis of primary data or on the basis of secondary data. The latter type of data have been used for the purpose of this study.

FIELD WORK :

Although no primary data were collected from the borrowers through either a sample survey or census enquiry method, yet in

order to complete this task and to strengthen and to re-enforce the secondary data, the field work was undertaken to collect first hand information regarding the working of RRBs. For this, a number of branches of RRBs were visited and interviews and discussions were arranged with the officials of the RRBs through instructed schedule and questionnaire.

LIBRARY WORK :

The library work proved of vital help in the preparation of this research work. The regular study made in the library served the dual purpose -- first it helped me thoroughly review and consult all the available literature related to the research topic, and secondly it also helped in the collection of the secondary data.

COLLECTION OF SECONDARY DATA :

The study is mainly based on secondary data issued and published by Reserve Bank of India, National Bank for Agriculture and Rural Development, All India Regional Rural Banks Employees Association and various annual reports of different RRBs. Hence the present study suffers from all the limitations of a study based on secondary data.

PERIOD OF OBSERVATION :

The data on the RRBs were collected for the year ending June 30, 1986. These are the most recent data available from National Bank for Agriculture and Rural Development. Although

efforts were made to collect data on RRBs since 1975, yet it could not be possible in the case of some RRBs. Further, since the RRBs have been established on different dates and in different years, the presentation of data since the establishment of RRBs has been arranged in such a fashion as to avoid complexity and confusion.

ANALYSIS OF DATA :

In order to assess the performance of the RRBs, the data have been analysed with the help of sophisticated statistical tools; and the working of RRBs in Eastern Uttar Pradesh has also been compared with the whole State of Uttar Pradesh and the country.

LIMITATIONS OF THE STUDY :

The present study is subject to the following limitations :

- (i) The working of the RRBs has been examined with reference to the Eastern Uttar Pradesh, a geographical area selected mainly on the basis of poverty and economic backwardness. The findings, although based on analyses arising out of some All U.P. and All India comparisons, relate only to the RRBs of Eastern Uttar Pradesh.
- (ii) As observed earlier, the study suffers from the limitations of a study based on Secondary Data. Efforts have been made, no doubt, to minimize them through

unstructured personal interviews and informal discussions with the officials of the RRBs. But then, the inherent limitations of secondary data will always be there.

(iii) The first batch of RRBs was established on 2nd October 1975 and since then their number is growing. Different RRBs have been set up on different dates and in different years, this difference in their age creates the problem of comparability in respect of their working. Tables have been constructed and presented in such a wise that the data remain comparable, and that is why the period of study has shrunk to two to three years only.

(iv) The latest data available from different sources are only upto June 30, 1986. The examination of different aspects of the problem is thus restricted to a period ending on 30th June 1986 only.

CHAPTER II
EVOLUTION OF BANKING IN INDIA

The Indian banking system at present consists of a number of institutions, viz., the commercial banks, cooperative banks, Exchange Banks, RBI, SBI and other financial and non-financial agencies for rural and industrial finance. RRBs are recent development in Indian banking system. The origin and development of banking institutions are discussed here.

Banking has been quite old profession in India. "There is plenty of evidence to show that even prior to the advent of accidental ideas, India was not stranger to conception of banking".¹ And further, "Banking was known and practised in India at a time when the rest of the world had yet to evolve a medium of exchange in the form of money."² Though the banks in ancient time were not like those at present, the banking functions, i.e. accepting deposits and granting loans, were performed by gold-smiths, shroffs, money-lenders and lords etc.

In ancient Indian literature there are many references

1. Nigam, B.M.L. "Banking Law & Practice" Vani Educational Books", Ghaziabad, 1985, p. 14.
2. Savarkar, D.S., Joint Stock Banking in India, Quoted by Agarwal, S.P., "Commercial Banking in India" Classical Publishing Co., New Delhi, 1982, p. 10.

of 'Debt' which are evidences that banking functions were being performed in that period by a section of community. "The banker in the Smiriti period performed most of the functions of the modern banks. They accepted deposits, granted loans against pledge and personal security, as also simple loans acted as their customers bailee, acted as treasurer and banker to the state and issued and managed currency of the country."³ Kautilya's Arthshashtra is also full of facts to show the existence of Sahukars (Mahajan in Sresthis) who carried on the banking functions. We also find the existence of bankers during the Moghul Rule in India.

Indigenous bankers had, however, been the well-established institutions in India before the advent of the East India Company. After the company started its business, the indigenous bankers began to decline in the country because of the following reasons :

- (i) The indigenous bankers did not know the English language and were unaware of the British banking system;
- (ii) The foreign trade of the country began to pass from the people into the hands of the Company; and
- (iii) The Company did not want the existence of indigenous bankers and, therefore, patronised the Agency Houses in latter half of the eighteenth century.

3. Bhargava, B.K. "Indigenous Banking in Ancient and Mediaeval India", quoted by Agarwal, S.P., op.cit. p. 9.

In spite of various efforts, the indigenous bankers could not survive, because the Agency Houses received deposits from public, advanced loans to them and discounted the bills. "The British Agency Houses which combined banking with their trading activities were the fore-runners of the modern joint stock banks established on European lines."⁴ The establishment of these Agency Houses may be taken as the starting point of banking in modern sense in India. The first modern type bank — "The Hindustan Bank" was established in 1770 by the Alexander & Co. It was liquidated in 1832 because of the failure of its parent firm. After that some more banks were established and liquidated. These were the chartered banks.

The real beginning of the modern banking in India may be traced from the beginning of the Swadeshi Movement in 1906 when many banks were established by the Acts of Indian Legislature. These banks were divided into two groups — one consisting of three Presidency Banks (Bank of Bengal, 1806, Bank of Bombay, 1840 and Bank of Madras, 1843) and another Indian Joint Stock banks.⁵ The Presidency Banks not only combined

4. Agarwal, B.P. op.cit., p. 11.

5. A no. of Joint Stock Co. banks were established after the acceptance of the principle of limited liability in 1860. Bank of Upper India (1863), Allahabad Bank (1865), the Bangalore Bank (1868), the Alliance Bank of Simla (1874). These were established under European Management. The Oudh Commercial Bank (1881), Punjab National Bank (1894) were established under Indian Management. Out of all the banks established till the end of the 19th century, only two banks are still working as nationalised banks. They are Allahabad Bank and Punjab National Bank.

banking with their commercial and trading activities but also maintained close links with the East India Company and the Government.

The three Presidency Banks were amalgamated in 1921 and a new bank — Imperial Bank of India — was formed. The causes of this amalgamation may be summed up as follows :

- (i) There was need to create a Central Bank with the monopoly of note issue which might also serve as Bankers' bank and the government bank;
- (ii) To provide protection to the Indian Commercial banks against the competition of foreign banks;
- (iii) To strengthen the Indian banking because a number of banks failed during and after the First World War. For example, during 1913-17, which was a time of banking crisis, 78 banks failed with a total paid up capital of Rs. 178 lakhs.⁶

Many times the Indian banking saw boom and recession during the years 1913-1949 because there were neither a comprehensive legislation nor a Central Bank to have worthwhile control over the activities of the commercial banks. It was the year 1935 when the Reserve Bank of India was established as a Central Bank under the Reserve Bank of India Act, 1934. It remained the share-holders bank till an Act was passed in 1948. It was the year 1949, a land mark in the history of Indian banking when the RBI was nationalised and a comprehensive legislation was passed to control the activities of the commercial banks. Now again many of the banks particularly small banks

6. Agarwal, S.P., op.cit., p. 13.

either failed or voluntarily liquidated themselves or merged themselves with bigger banks. Now the number of banks — both scheduled and non-scheduled — began to decline but the number of branches of scheduled commercial banks multiplied. The total volume of bank deposits and credit also increased, as depicted through the following tables :

Table 2.1 : No. of Scheduled and Non-Scheduled Commercial Banks

Year	Scheduled Banks		Non-Scheduled Banks	
	No. of Banks	No. of Branches	No. of Banks	No. of Branches
1949	94	2352	526	1589
1956	89	2953	333	1240
1961	82	4388	209	725
1967	74	6620	24	216
1969	73	8045	16	217

Table 2.2 : Deposits and Credit of Commercial Banks
(Rs. in crores)

Year	Total Deposit	Total Credit	Aggregate Credit Deposit Ratio
1949	844	492	57.12
1961	1873	1335 (April)	71.28
1967	3741	2646 (June)	70.73
1969	4674	3615	77.34

From the above tables it can be observed that the increase in number of scheduled commercial bank branches and growth in volume of bank deposits are reflective of people's increasing confidence in the Indian banking system and increasing banking habits among them. The increasing advances made by the banks, culminating into high C.D. ratios are reflective of banks' greater involvement in the development process of the country.

Banking in the broadest sense and development of an economy are, of course, and ought to be closely inter-related. But truly speaking the banks did not finance the agriculture, small and agro-based industries on which 80 to 85 per cent population of the country depends for its livelihood and the development of which is very important for the over all development of the country.

Commercial banks in India, as elsewhere, have been traditionally security conscious and that was why they used to finance the financially sound trade and industries for ages, neglecting the agriculture, small scale and agro-based industries. It is clear from the following tables that in December 1951 credit granted to agriculture was Rs. 13 crores which is 2.24 per cent of the total credit granted by scheduled commercial banks to different sectors, while it was Rs. 194 crores to industry and Rs. 308 crores to commerce which constitute 34 per cent and 53 per cent respectively. In 1965, 52.69 per cent (Rs. 1104 crores) of the total credit of these banks went

to industries; 30.11 per cent (Rs. 631 crores) to commerce; 5.82 per cent (Rs. 122 crores) to personal and professional; 2.38 per cent (Rs. 50 crores) to others while it was only 0.19 per cent (Rs. 4 crores) to agriculture.

Table 2.3 : Credit Granted by Scheduled Banks to Different Sectors.

(Rs. in crores)						
Year	Industry Rs.	Commerce Rs.	Agri- culture Rs.	Per- sonal Profes- sion Rs.	Others Rs.	Total Rs.
Dec. 1951	194 (33.45)	308 (53.10)	13 (2.24)	43 (7.41)	22 (3.75)	580 (100)
1956	306 (38.54)	377 (47.48)	14 (1.76)	68 (8.56)	29 (3.65)	794 (100)
1961	666 (54.23)	414 (33.71)	8 (0.65)	106 (8.63)	34 (2.77)	1228 (100)
March 1963	921 (57.20)	528 (32.80)	4 (0.25)	111 (6.89)	46 (2.86)	1610 (100)
1965	1104 (52.69)	631 (30.11)	4 (0.19)	122 (5.82)	50 (2.38)	1911 (100)

Source : (Figures shown in bracket indicate the percentage of total).

Since the commercial banks have been largely urban oriented, cooperative credit institutions have been developed significantly in the rural areas. The institutionalisation of the rural credit system was first attempted by setting up of the cooperative credit institutions way back in 1904, with the basic objective to finance agriculture and rural people by

replacing the then prevailing exploitative institutions of money-lenders. "The birth of the idea of cooperative movement in India seems to have emerged from the Deccan Riots of the latter 19th century when debtors revolted against the extortionist practices of money lenders."⁷ Now the bulk of the institutional finance available in the rural areas began to come from the cooperative credit sector.

In spite of the encouragement and concession the cooperative movement in India received from the government, its progress has not been adequate or satisfactory. There have been various deficiencies in the working of cooperative institutions. Besides, the farm financing has, however, been the monopoly of the cooperatives till sixties, but they could not meet the increasing demand of credit in this sector due to technological break-through in the field of Indian agriculture and acceptance of credit as an important input by the farmers for increasing production and for raising their standard of living. The All India Rural Credit Survey Committee headed by Mr. A.D. Gorwala, which was set up in 1951 with a view to studying the rural credit system, submitted its report in 1954 and felt it necessary to strengthen the cooperative system by providing back up support of a financially strong credit institution, and accordingly,

7. Srivastava, S.K., Jha Divakar; Agarwal, S.K.; Jagdish Prakash & Kapuria, R.S. : "Agricultural Economics and Cooperation" S. Chand & Co., New Delhi, 1970, p. 637.

the Imperial Bank of India was converted into State Bank of India (SBI) in 1955 to provide the required financial support to the cooperatives. The SBI was set up with three distinct objectives :

- (i) to take over cash work from non-banking treasuries and sub-treasuries;
- (ii) to provide vastly extended remittances facilities for cooperative and other banks;
- (iii) to provide the credit requirements of cooperative marketing and processing societies and small scale industries.

The SBI, thus, began its operations in the rural sector way back in 1955, al beit indirectly as a support system to the cooperatives. The SBI came to be regarded as a lender of the immediate resort. It supplemented the operations of the RBI and became the premier organisation for providing credit facilities to rural institutions, agriculture and small scale industries, etc. The SBI, together with the subsidiary banks which it took over in 1959 and 1960, has been pursuing a vigorous policy of branch expansion with the result that between December 1955 and June, 1969, the net work of offices of the SBI and its subsidiaries widened by 2,462. Of these more than 40 per cent* offices were opened at rural centres with population below 10,000. Between 1955 and 1969, offices of other Indian

B. Desai, Vasant "Indian Banking : Nature and Problems" Himalaya Publishing House, Bombay (1973), p. 30.

* Now it has increased to more than 78 per cent.

scheduled commercial banks increased by 2939, of which only 603 (20.3 per cent) were opened at centres with population below 10,000.

In spite of the 40 to 45 per cent offices of the SBI having been opened at rural centres, it could not serve the basic purpose of providing credit for agriculture and small industries. Now the government had, at any cost, to solve the problems of agricultural finance. It was, however, felt that credit needs of the rural sector were not to be met by any single credit institution, as the credit needs of the already starved sector grew by leaps and bounds, with our efforts at modernisation of Indian culture.

On the other hand there was demand for nationalisation of the banks in the private sector so as to meet the rural credit requirements. Various allegations were made against the Indian commercial banks. The major among them were as follows :

1. Commercial banks had facilitated the concentration of economic power in a few hands and created industrial or business monopolies.
2. The management of Indian banks in a majority of cases lacked professional expertise. Bank directors indulged in industrial and business activities. Thus, the resources of banks were misused for the benefits of directors and their concerns.

9. Panandikar, S.G. & Mithani D.M. "Banking in India" Orient Longman Ltd., Bombay, 12th Edn. 1975, pp. 571-72.

3. Bank credit was not distributed in the general interest of the nation or in accordance with the development priorities. In particular, banks did not pay due attention to the requirements of priority sectors like agriculture, small scale industries and exports. On the contrary, their major advances were directed towards the large and medium industries and big business firms.
4. Bank finance was also used for supporting anti-social or undesirable activities like hoarding, speculation etc.

The issue of bank nationalisation had, for a long, been very controversial matter. The Government set up the Panandikar Committee to look into the matter and suggest thereon. The Committee, in its report, submitted to the Finance Minister in October 1967, did not favour nationalisation on various grounds.¹⁰ Various attempts were tried to reform the Indian banking system. In order to cure the above mentioned ills of the Indian banking, a new business policy was initiated by the Government in 1967 under which the banking sector was brought under considerable government supervision through what was described as "Social Control of Banks".¹¹ It was deemed to be a via media between complete social ownership i.e., nationalisation and maintenance of status quo.¹²

The announcement of "Social Control of Banks" by the

10. The Economic Times Bombay Nov. 8, 1967, pp. 1 and 4.

11. See Congress Party's Election Manifesto of 1967 on the eve of the Fourth General Election. Also see Gazetteer of India, 1975, Govt. of India, Vol. III, pp. 866-894.

12. Panandikar & Mithani, op.cit., p. 572.

ruling party raised a good deal of controversy, as the precise meaning and nature of social control was not explained. In the AICC Resolution it was said that "Social Control means greater participation of banks under the effective guidance of the State in the mobilisation of deposits and allocation of credits to the socially desirable sectors of the economy, which would ensure enlarged material benefits to the nation at large." However, it becomes clear that social control was a measure different from complete nationalisation. The main objective of the scheme of social control over banks was to serve the economic and social objectives more efficiently and effectively without resorting to the extreme step of nationalisation.

The scheme of social control over banks, thus, tried during the one and a half year upto June 1969 was too inadequate to combat with the forces of vested interests which dominated the banking system for a long time. A more drastic measure was needed. Hence the fourteen largest Indian Commercial banks were nationalised¹³ on July 19, 1969 with the clear objectives -- (i) extension of credit to those sectors of the economy that were neglected till that date, more particularly for providing direct and indirect finance to agricultural sector; (ii) encouragement of new entrepreneurs; and (iii) the removal

13. Later six more banks were nationalised on April 16, 1980.

of regional disparities in the spread of banking and promotion of rural development.

During the early stages of nationalisation the commercial banks faced two main problems while undertaking provision of finance to agriculture.

1. The Commercial banks in India had a strong urban bias and they had not established a net work of branches in rural areas.
2. The Commercial banks had neither the experience nor the expertise in the matter of financing agriculture. This security oriented approach aiming at profit maximisation by mostly concentrating on providing short term credit to trade and industry in urban areas was unsuitable and therefore unsatisfactory when applied to the agricultural sector.

AFTER NATIONALISATION TILL 1975

In accordance with the emphasis spelt out on the occasion of nationalisation the rural branches of commercial banks recorded an appreciable growth since nationalisation. From table 2.4 it is clear that as on June 1969, there were only 1833 rural branches in India constituting 22.19 per cent of the total branches of scheduled commercial banks. Since 1969, there has been tremendous increase in the number of offices of commercial banks in rural areas. The number of rural branches increased to 3063 (30.23%) in 1970; 4280 (35.63%) in 1971; 4917 (35.36%) in 1972; 5561 (36.20%) in 1973; 6166 (36.41%) in 1974; and 6807 (36.34%) in 1975. The progress of scheduled commercial banks in India, since nationalisation to 1975, may be seen in the table given on the next page.

Table 2.4 Progress of Commercial Banks as at the end of June

	1969	1972	1975
No. of offices in India	8262 (100.00)	13622 (100.00)	18730 (100.00)
(a) Rural	1833 (22.19%)	4817 (35.36%)	6807 (36.34%)
(b) Semi-urban	3342 (40.45%)	4401 (32.31%)	5598 (29.89%)
(c) Urban	1584 (19.17)	2504 (18.38)	3489 (18.63)
(d) Metropolitan Port Town	1503 (18.19)	1900 (13.95)	2836 (15.14)
Population per office (in thousand)	64	41	32
Deposits of Sch. Commercial Banks in India (Rs. in crores)	4646	7610	12545
(a) Demand	2104	3358	5257
(b) Time	2542	4252	7288
Credit of scheduled Commercial Banks in India (Rs. in crores)	3599	5480	8955
Scheduled Commercial Banks advances to Priority Sectors (Rs. in crores)	504	1149	2242
(Percent of Total credit)	(14.00)	(20.97)	(25.04)
C.D. Ratio of Scheduled Commercial Banks	77.46	72.01	71.38

Source : RBI, BKg. Stat. Vol. 5, Dec. 1975,.

The progress in the number of offices of all the banks is shown Bank-wise (and population group-wise) in table no. 2.5. Table no. 2.6 shows the number of new branches opened in rural, semi-urban, urban and metropolitan centres during 1969 and 1975.

Table 2.5 : Bank-wise Break up of the total no. of Commercial Bank offices in India as at the end of June, 1969 and 1975.

Banks	No. of offices as on 30.6.69	No. of offices as on 30.6.75	Net in- crease since 30.6.1969
	Total	Total	Total
S.B.I. and its Associate Banks	2462	5214	2752
14 Nationalised Banks	4133	9863	5730
Other Commercial Banks	1567	3653	1986
Total	9262	18730	10468

Source : Trend and Progress Reports of 1969 and 1975.

Table 2.6 : New Branches of Commercial Banks opened centre-wise.

Year	Rural	Semi Urban	Urban	Metropolitan/ Port Towns
1969-70	1230	376	160	103
1970-71	1217	322	205	138
1971-72	537	361	555	156
1972-73	744	350	260	386
1973-74	605	365	327	277
1974-75	641	482	398	273

R = Rural Centres with population upto 10,000.
 SU= Semi Urban with population 10,001 and upto 1,00,000.
 U = Urban centres with population over 1,00,000 and upto 10,00,000.
 M/PT= Metropolitan and Port Towns with population above 10,00,000
 Port Towns are : Cochin, Kankanada, Mangalore, Nagapattinam,
 Okha, Paradeep, Pondicherry, Port Blair, Kandla, Visakha-
 patnam, Tuticorin and Marmugao.

From the above tables it is clear that Commercial banks showed sufficient interest in providing banking facility in rural areas by opening new branches at unbanked centres. "But the entry of commercial banks in rural areas created more problems instead of fulfilling the objectives for which they were brought in the field". — "Instead of providing more credit to the agricultural sector for which commercial banks were brought in, what commercial banks did in rural areas was that they mobilised substantial savings specially from the richer sections of rural communities (which otherwise would have atleast partly gone to cooperative credit societies either as share capital or as deposits) and channellizing those rural

savings into urban and metropolitan areas in the process of making substantial profits.¹⁴ It is evident from the fact that credit deposit ratios (CDR) in the semi-urban and urban areas have been higher than in rural areas. For example, CDR in rural areas of U.P. in December 1974 was 39.21 per cent while it was 58.77 per cent in semi-urban areas and 42.62 per cent in urban areas in the same period. Similarly in December 1975 the CDR in rural areas of U.P. was 41.18 per cent while in urban areas it was 48.94 per cent. The CDR in eastern U.P. has been lower as compared to all U.P. level as a whole. It has been shown in table 2.7 which is population-wise distribution of deposits and advances of commercial banks at the state-level. Besides, C.D. ratios of each district as a whole and population-wise may be seen in table 2.8.

Further the following table (table no. 2.9) shows that regional disparities, in relation to credit deployment by commercial banks, existed not only before nationalisation but after nationalisation also.

14. Desai, S.S.M. : "Rural Banking in India"
Himalaya Publishing House, Bombay, First Edition,
1979, p. 286.

Districts	No. of offices		Deposits		Advances		(Amount in lakhs of Rs.)	
	June, 1969	June, 1975	June, 1969	June, 1975	June, 1969	June, 1975	June, 1969	June, 1975
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Allahabad	26	69	1808	6012	589	1934		
2. Azamgarh	11	37	234	1277	43	332		
3. Bahraich	5	17	265	642	81	122		
4. Ballia	8	21	349	1136	31	122		
5. Basti	7	23	198	930	390	562		
6. Deoria	11	20	392	1196	454	942		
7. Faizabad	10	25	442	1342	141	367		
8. Ghazipur	8	22	214	865	50	181		
9. Gonda	11	24	333	869	70	240		
10. Gorakhpur	17	48	1427	3053	955	1394		
11. Jaunpur	7	29	207	900	23	193		
12. Mirzapur	13	35	424	1531	272	954		
13. Pratapgarh	5	13	106	464	7	52		
14. Sultanpur	5	13	124	558	9	82		
15. Varanasi	43	99	1958	6195	356	2059		
Total	187	495	8391	26870	3570	9536		

Source : Banking Statistics Basic Statistical Returns Vol. 5, Dec. 1975, pp. 30-33, pp. 89-96.

Table 2.9 : Deposits, Advances & CDR of Commercial Banks in U.P. and in Eastern U.P.

(Amount in lakhs of Rupees)

	Credit Deposit Ratio		No. of Offices		Deposits		Credit Advances	
	June 1969	June 1975	June 1969	June 1975	June 1969	June 1975	June 1969	June 1975
India	77.46	71.39	8062	18730	4646 (cr.)	12545 (cr.)	3599 (cr.)	8955 (cr.)
All U.P. (55 districts)	47.40	54.35	739	1975	36490	111150	17295	60406
Av. per district	47.40	54.35	13.42	34.1	663.45	2020.91	314.45	1089.29
Eastern U.P. (15 districts)	42.55	35.49	187	495	9391	26870	3570	9536
Av. of Eastern U.P.	42.55	35.49	12.47	33	559.4	1791.33	233	635.73

Source : Banking Statistics Basic Statistical Returns Vol. 5, Dec. 1975, pp. 30-33, pp. 88-96.

From the table the CDR of scheduled commercial banks in India in June 1969 is 77.46% while in U.P. ^{it} was only 47.40% which is much below all India U.P.A. In eastern U.P. the CDR was only 42.55 per cent which is lesser than the CDR of all U.P. If the eastern U.P. is excluded, the CDR of remaining U.P. is higher than the CDR of all U.P. The population per bank office in India in June 1969 was 65 thousand while in U.P. the population per bank office on the same time was 119 thousand. The position of regional disparities, till the establishment of the RRAs in the last quarter of 1975, remained more or less the same. In June, 1975, the CDR of all commercial banks in India was 71.38 per cent while the CDR of all U.P. was 54.35 per cent. In eastern U.P. it was 35.49 per cent and after excluding eastern U.P. the CDR of remaining State went to 60.36 per cent. Not only this but the share of advances of commercial banks even after nationalisation was very low to agriculture, small scale industries and small trade. The occupation-wise classification of credit of scheduled commercial banks in U.P. may be seen in table 2.10.

From the above study it may be concluded that the commercial banks could not fulfil the basic objective for which they were nationalised, that is, they could not remove the regional disparities in the spread of banking and promotion of rural development. It will not be wrong to conclude on the basis of available data, that the backward areas like eastern

Table 2.10 : Occupation-wise classification of credit of Scheduled Commercial Banks
(As on the last Friday of December, 1975)

Districts	Total credit	Agriculture	Industry	Small-scale industry	Trade	All others
1. Allahabad	210624	10269	167982	30162	12534	19839
2. Azamgarh	29452	10364	9156	5249	4047	5895
3. Bahraich	10697	4234	2415	766	1703	2340
4. Ballia	11657	7776	960	333	1277	1644
5. Basti	31135	13407	14223	1918	799	2701
6. Deoria	74594	9162	60520	3555	2991	2615
7. Faizabad	30661	10137	13377	7616	2469	4628
8. Ghazipur	17978	10611	1741	457	2125	3441
9. Gonda	29631	6156	20671	340	1417	1387
10. Gorakhpur	75016	24362	35225	8061	9202	6230
11. Jaunpur	22393	13239	2695	1622	2315	4144
12. Mirzapur	134847	6932	121102	9623	2256	4557
13. Pratapgarh	5410	2824	1667	371	826	1093
14. Sultanpur	10439	7290	1195	373	945	1119
15. Varanasi	199132	18471	130217	68434	24943	25501
Bank Credit in Eastern U.P.	894666	154290	593438	137730	69814	37124
Total Bank Credit in U.P.	6656059	1166054	4259618		657391	572996

U.P. were deprived of the advantages of nationalisation of commercial banks. It is also obvious from the fact that the RBI, keeping in view the regional disparities, had to step in and stipulate that the public sector commercial banks must ensure by the end of March, 1975 that at least 40 per cent of the deposits mobilised by them in rural and semi-urban areas should be deployed in those areas only, i.e., the 40% of the public sector loans in rural and semi-urban branches should separately be at least 50 per cent.¹⁵ It is another thing that even after this the ill-effects of disparities have been very low.

15. RBI "Priority Sector Lending and the 20 Point Economic Programme" Role of Banks Report of the Working Group 1980, p. 34.

CHAPTER III
SOURCES OF RURAL FINANCE IN INDIA

The Regional Rural Banks came into existence in October 1975 as an alternative to commercial and cooperative banks to provide credit and other facilities specially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. The present study has been undertaken with a view to analysing the working of these banks. Besides the characteristics of rural finance and sources of finance available to rural masses before the establishment of these banks has also been discussed. All the sources of rural finance have been classified into two categories -- (i) Unorganised money market; and (ii) Organised money market. The chart showing both types of institutions is being depicted on the next page.

India is a nation of villages and an overwhelming majority of the population leads village life and depends upon agriculture for its livelihood. In spite of constant efforts by the Government for making India industrially well-developed, the Indian economy is still agro-based. According to the Census of 1981, about 65 per cent of the working population are engaged in agriculture. This percentage is higher in Uttar Pradesh and further higher in Eastern U.P. Agriculture contributes about 50 per cent

of the national income, provides livelihood to 75 to 80 per cent of the people, supplies the bulk of wage goods to the non-agricultural sector, produces raw materials for a large sector of industry and accounts for over 50 per cent of the export trade. It means that agricultural development is an essential condition of economic growth of India and the agricultural development can be achieved only or mainly by pumping credit in rural economy. Like an industrialist, agriculturist also needs credit to increase his income, to improve his repaying capacity and to raise his standard of living.

CHARACTERISTICS OF RURAL FINANCE :

Agriculture, in many respects, differs from other industries and that is why the problem of finance is more acute in agriculture than in any other industry. In an under-developed country like India where the farmers are illiterate and custom and tradition bound, problems of rural finance become more complex. The causes of complexity in rural finance are as under :-

- (1) The Indian farmer is unable to forecast his financial requirements. He depends upon the vagaries of nature which are uncertain and irregular. Due to this uncertainty the supply of agricultural goods is uncertain while the demand for it is constant. His products are also perishable and he also suffers from the common ups and downs of the economy along with other industrialists. This uncertainty, to a great extent, mars the way for the organised financing of agriculture.

- (ii) Another problem faced by the Indian agriculture is that the farmer works on a very small size of farm; the economic standard of farm operations is very low. The farmer lacks organisational ability and enterprising spirit. There may be frequent absence of clean title deeds and rights of land, disputes among relatives going on in civil courts in regard to title of lands and so on. Under these conditions, suitable financing organisations and institutions are a bit hesitant in financing agricultural operations.
- (iii) The risk involved in providing agricultural finance is more than that in manufacturing industry. Land is the only security, the proper evaluation of which is a difficult task. It is not readily realisable too. Besides, most of the farmers, in India, operate under tenure system which prevent or limit the operation of mortgages.
- (iv) The inflow of funds to financial agencies from the agricultural sector is seasonal while the outflow would be throughout the year. That is, the demand for agricultural finance exists throughout the year and it is fluctuating also and the farmer has to wait also for long for receiving the return from his investment. Besides, the financing agencies can not be sure of getting back their money at the harvesting season. Thus, the agricultural financing involves the locking

up of the funds of the financing agencies.

- (v) Socio-economic structure of the villages is another important reason which makes agricultural finance¹ different from other types of financing.
- (vi) There is lack of direct link between agriculture and the money market and due to that a rural sector is deprived of the benefit of economic savings of the society. Agricultural finance is the least institutional and most dispersed. Agricultural operations are carried on in rural areas whereas organised finance is urban-biased. But with the establishment of the Regional Rural Banks, this problem has now been solved to a great extent.
- (vii) Other features characterising rural India are wide spread illiteracy, general poverty on account of un-economic land holdings.
- (viii) Besides agriculturists, the artisans are another important class with low level of income and hardly any savings and assets. They often combine agricultural operations on their comparatively small farms with their activities as artisans. Like agriculturists, the artisans also need loans both for consumption and for purchasing raw materials and equipments.

1. Report of the All India Rural Credit Survey, 1951-52. The General Report (Abridged ed.), p. 55.

Thus, it is clear that the problem of rural finance in India is not only natural but human also. According to the AIRCSC "The problem of rural credit is not primarily one of rural credit. It may be said to be one of rural minded credit."

The farmers and artisans had been borrowing and shall continue the practice of borrowing from organised and unorganised financial agencies in order to fulfil their capital needs. Frederick Nicolson had expressed his view in 1893 that "it is evident from the economic history of the world that borrowing is essential for agriculturists." The Regional Rural Banks which are now important part of the organised Indian money market, are performing the task of making available credit and banking facilities to the far scattered illiterate and economically backward villages for fulfilling their capital needs of various kinds. The establishment of the Regional Rural Banks have, to a great extent, curbed the overwhelming dominance of private agencies and it seems that the problem of rural finance has now been mitigated. Easy and timely availability of credit is, no doubt, very important to fulfil the capital needs pertaining to agriculture; but more important is that the illiterate, socially and economically backward borrowers must be given proper direction and training for utilising those loans so that they may establish balance between their income and expenditure. According to F. Nicholson "Borrowing is neither calamitous nor the illustrating of weakness but if the loans are misused, the indebtedness becomes the symbol of disaster." Credit facilities must not be dear and difficult rather it

must encourage the savings and investment.

BANKING AND FINANCIAL INSTITUTIONS IN
RURAL INDIA PROVIDING RURAL FINANCE :

There are various traditional and modern agencies in the country to meet the financial needs of the agriculturists, industrialists, artisans and other self-employed persons, etc. All the agencies providing rural finance in rural India may broadly be divided into two (chart 3.1), namely, (a) Private agencies; and (b) institutional agencies.

1. Private Agencies :

The private agencies include money lenders, relatives, landlords and traders etc., whereas institutional agencies include the Government, cooperatives and commercial banks. The private agencies have been dominating in the matter of rural finance in the country. The following table shows the dominating role of money lenders in rural areas during 1951-52, 1961-62 and 1968-69 and the minor role which organised agencies played in this respect.

Chart 3.1

Banking and Financial Institutions in Rural India
Providing Rural Finance

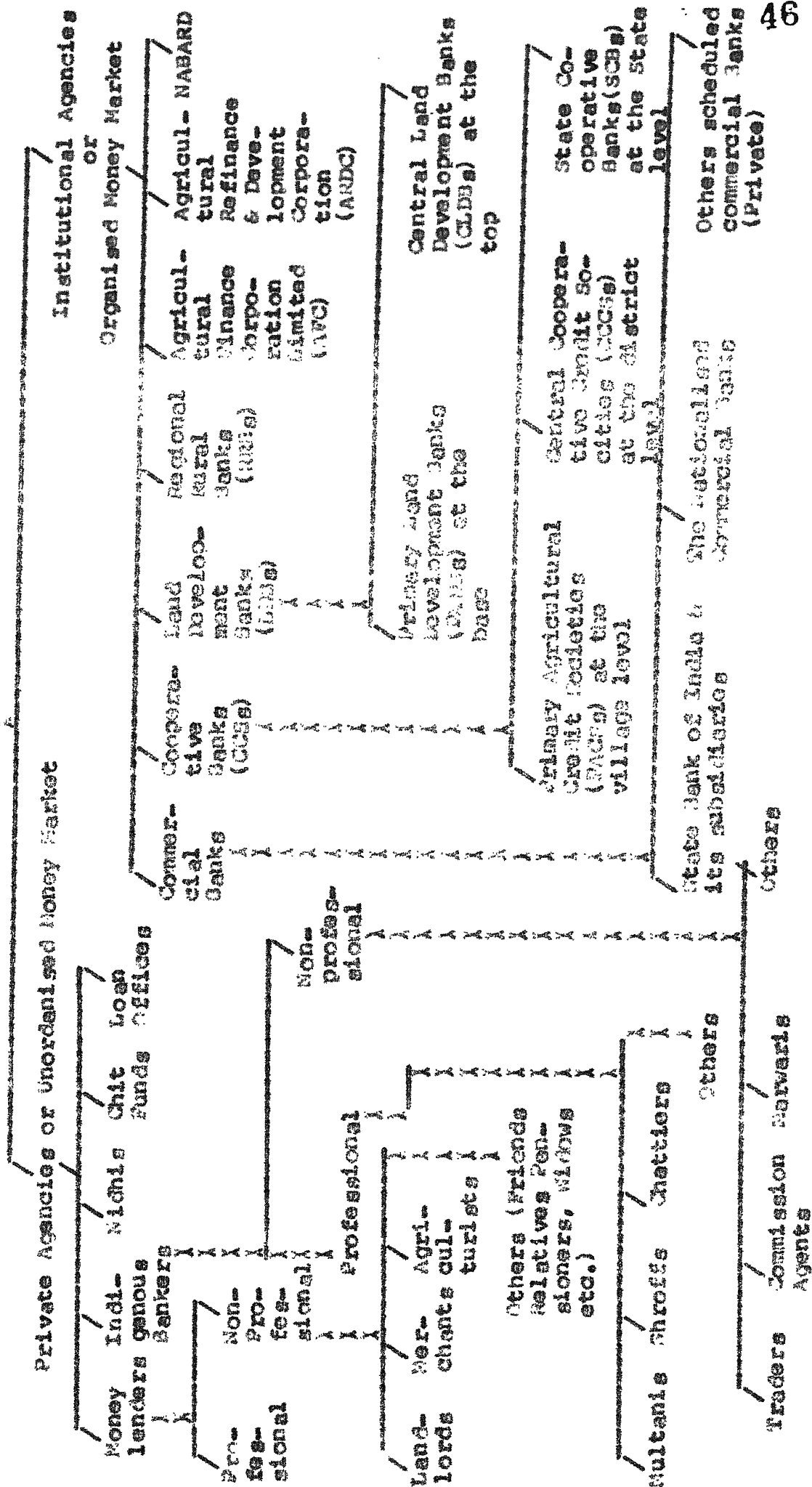


Table 3.1
Cultivators' Borrowings from Different Sources

Credit Agencies	Proportion of Borrowings from each agency to the total borrowing by cultivators		
	1951-52	1951-52	1952-59
Government	3.3	2.6	9.7
Cooperatives	3.1	15.5	33.0
Relatives	14.2	3.0	1
Landlords	1.5	1	1
Agriculturist Money-lenders	21.9	40.0	52.0
Professional Money-lenders	44.3	1	1
Traders and Commission Agents	6.5	3.5	1
Commercial Banks	0.9	0.6	5.3
Others	1.0	13.9	-
Total	100.0	100.0	100.0

Source : 1. Srivastava, S.K.; Jha, Divakar; Agarwal, S.K.; Prakash, J.; Kapuria, R.S. "Agricultural Economics & Cooperation" S. Chand & Co., New Delhi, 1970, p. 422.

2. Desai, S.C.M., "Rural Banking in India", Himalaya Publishing House, Bombay, 1979, p. 50.

It appears from the above table that among the various agencies of rural finance the money lenders -- both agriculturists and professional -- dominated over other agencies. The private agencies accounted for 96.7 per cent of total borrowings of cultivators in 1951-52 whereas the professional and agriculturist money

lenders alone constitute nearly 70 percent of total borrowings by the cultivators in the year. The above table also reveals the fact that commercial banks failed to do any service to cultivators in this respect. The combined share of organised institutions, i.e. commercial banks, cooperative credit societies and the government came to only 7.3 percent of the total borrowings by the cultivators. The contribution of commercial banks in 1951-52 and 1961-62 was only 0.9 and 0.5 percent respectively. It increased marginally only after an effective control over the banking system which we call "social control of banking" which was not satisfactory. It was only the cooperatives on which much hope was pinned, did fare well. The contribution of cooperatives in rural finance increased from 3.1 percent in 1951-52 to 15.3 percent in 1961-62 and further to 33 percent by 1969-70. Its contribution, at present, is more than 40 percent. The contribution of money lenders has now decreased and, at present, the contribution of new agency, i.e., regional rural banks, is increasing very fast.

Classification of the Sources of Rural Finance :

Various authors have classified the sources of rural finance in various ways. We prefer to divide all the agencies of rural finance into two major groups (chart 3.1).

1. Private Agencies.
2. Institutional Agencies.

1. Private Agencies :

Private agencies mean those financial and banking institutions which operate outside the provisions of the Indian Banking Regulation Act. They maintain private accounts which are not subject to open inspection by any official or semi-official bodies. Private agencies include :

- (i) Money lenders
- (ii) Indigenous Bankers
- (iii) Michis
- (iv) Mit Funds

(i) Money lenders :

Money lenders had, no doubt, the virtual monopoly over rural finance in the country. It has been the only agency in most villages which provided finance to cultivators. Whether good or bad, extortionate or reasonable, cultivators have to depend upon them for their financial requirements. Money lenders are of two types -- (a) Professional, and (b) non-professional which include landlords, merchants, agriculturists, and others such as friends, relatives, pensioners, widows, rickshaw pullers etc. In case of professional money lenders, money lending is the main occupation while on the other hand, non-professional money lenders are those whose main occupation is some economic activities other than money lending. For example, if it is an agriculturist money lender, agricultural operations constitute major occupation whereas money lending activity constitutes a minor occupation.

The importance of money lenders and the services provided by them in the absence of any other agency for rural finance can not be ignored. The money lenders played in the past an important role in the Indian agricultural finance and they continued to play that important role even after the country became independent and even after a number of steps were taken to curb their activities and establish institutional agencies. It were the money lenders who had always come to the rescue of farmers in times of need.³ M.L. Darling has rightly summed up the various services rendered by money lenders in these words : "It is only fair to remember that in the Indian village the money lender is often the one thrifty person amongst a generally thriftless people; and that his methods of business, though demoralised under modern conditions, suit the happy-go-lucky ways of the peasant. He is always accessible even at night; dispenses with troublesome formalities, asks no inconvenient questions, advances promptly; and if interest is paid, does not press for repayment of principal. He keeps in close personal touch with his clients, and in many villages shares their occasions of weal or woe. With his intimate knowledge of those around him he is able, without serious risk, to finance those who would otherwise get no loan at all. And he not only finances his neighbours, but frequently keeps a small shop to supply their present needs and is nearly always prepared to market their produce."⁴

3. Ibid., p. 56.

4. Darling, M.L. : *The Punjab Peasant in Prosperity and Debt.*, pp. 204-05.

Due to the above importance and ~~various~~ other reasons, such as monopolistic or semi-monopolistic position; illiteracy and ignorance of borrowers; unsatisfactory nature of security or even the absence of security, etc., the money lenders charge a very high rate of interest (rates of interest depend upon the nature of security offered, amount of loan granted and existence of alternative lending agencies) and in spite of that they dominated over rural finance for a long time. The reasons of their overwhelming dominance may be summed up as follows :

- (a) Absence of strong competition from institutional agencies.
- (b) Their close touch with the customers and complete knowledge of their repaying capacity.
- (c) They mostly do not adopt the method of coercion or compulsion in the collection of their money.
- (d) Lending by them is mostly free from legal formalities.
- (e) They fulfil all the financial needs of the cultivators as and when and for what they demand.
- (f) They do not bother about taking recourse to law for the collection of dues.
- (g) Helplessness and illiteracy of the cultivators.

The money-lenders charged exorbitantly high rates of interest and adopted many objectionable practices. So their regulation became necessary. Various efforts were made in this direction quite early by passing the Agricultural Act (1879) and the Usurious Loans Act (1914). On the recommendations of the Central Banking Enquiry Committee (1931), most of the States also enacted legislation*. Various provisions were there in different

*The Punjab Registration of Moneylenders' Act, 1938; The Bengal Moneylenders Act 1938; The U.P. Moneylenders Act, 1938. The Bihar Moneylenders Act 1938 and so on.

Acts but all the Acts, however, could not regulate and control the activities of the money lenders because of various reasons. One of the main reasons was that the cultivators were illiterate and poor and could not take advantage of those Acts. The impact of the legislative measures was such that it was thought that no control over money-lenders could be successful unless and until a strong institutional agency is organized to fulfill the financial needs of the cultivators with the same efficiency.

The enactment of various Acts was an attempt, in vain, to curb the objectionable practices of moneylenders. Their overwhelming dominance and importance in rural areas began to decline very fast since independence and particularly in recent years, i.e., after the nationalization of major commercial banks and further after 1973*. Various other reasons also led to their decline. To sum up, it may be said that after the establishment of various institutional agencies mainly the Regional Rural Banks, the importance of moneylenders has now declined to the considerable extent because the Regional Rural Banks are fulfilling the objectives successfully for which they were established. The performance of the Regional Rural Banks has been discussed, in detail, in the subsequent chapters.

*The emergency was declared on June 25-26, 1975 and the 20 points economic programme of the Prime Minister Indira Gandhi was proposed to be implemented from July 1, 1975 and which two main things were very important to affect the business of the money lenders, viz., (i) liquidation of debts; and (ii) establishment of the rural banks.

(ii) Indigenous Bankers :

Another private agency for rural finance is indigenous bankers. The indigenous banker means an individual or private firm receiving deposits and dealing in hundis or lending money. The indigenous bankers are known by various names in various States. For example, Multanis and Parwaris in Bombay; Mijratias and Bengalis in Calcutta, Chettis or Chettiers and Valluvarichis in Madras; Bohras and Lohanas in Gujrat and parts of Uttar Pradesh. Like moneylenders, indigenous bankers may also be divided into two classes, viz., (a) Professional, and (b) non-professional. The former include those who give equal importance to both banking and trading but banking is their primary business. They mainly deal in hundis. The latter includes those whose principal business is trading and they carry on indigenous banking as a subsidiary business. Some people do not distinguish between the money-lenders and the indigenous bankers because both appear to combine the business of money lending with some other economic activities. But there are a number of differences between them.⁵ B.C. Ghosh in his "A Study of Indian Money Market" states that "dealing in hundis and not accepting of deposits from the public or clients is the main feature distinguishing indigenous bankers from money lenders."⁶

5. See Report of the Central Banking Enquiry Committee, Vol. I, Part I, p. 73.

6. Quoted by Desai, S.S.M. "Rural Banking in India" Himalaya Publishing House, Bombay, 1979, p. 46.

(iii) Nidhis :

Nidhis are semi-banking institutions registered under the Indian Companies Act, receiving deposits in monthly instalments either in the usual form or in the form of withdrawable share capital. By the middle of the last century, Nidhis came into existence mainly in South India, essentially as "Loan Societies". But in the course of time Nidhis have developed as semi-banking institutions with great amount of responsibility. They act as credit agencies especially in those areas where ordinary banking facilities are not available.

Nidhis perform several functions. They encourage thrift among their members and try to mobilise their savings for loaning purposes. The funds of these Nidhis are obtained not so much by acceptance of regular deposits as by subscription to share capital. These funds are ultimately available to the members in times of need. They give loans to members for all purposes, in good security. This helps members avoid usurious money lenders. The interest rates charged by Nidhis are lower than those charged by the money lenders. But they also charge higher rates of interest on overdues and this forms a substantial part of profits made by them. If funds permit, these Nidhis also give loans to non-members.

(iv) Chit Funds :

Chit Fund is one of the oldest indigenous financial institution in the country. Chit Funds or Kuris are loose orga-

nisation of a small number of persons to promote savings and to lend money to members. According to Subrata Chatak, "Nidhis are mutual loan associations while chit funds are voluntary but loose associations for mobilising rural savings."⁷

Generally there is a 'promotor' who starts the enterprise of a chit fund. A number of persons who join the Chit fund as members agree to make periodical contribution to the promotor who appropriates for himself the collection of the first instalment of members as his remuneration. The successive collection of instalments of members are now available to be distributed among members as loans. The collection of instalments are disposed of among the members by various ways but two methods are most popularly used, viz., (a) Prize Chits Method; and (b) Auction Chits Method. In the former case, a fixed prize is drawn by lot and in the later case, the person who offers to pay the highest amount in advance as interest gets the loan.

(v) Loan Offices :

The loan offices mostly found in Bengal depend entirely on deposits for their working funds. They lend money to zamindars and their tenant cultivators. They do not finance trade or industry generally. But some of the loan offices have trading departments

7. Chatak, Subrata, "Rural Money Markets in India", Macmillan Company of India Ltd., 1976, p. 10.

to employ their surplus funds during slack periods.

Thus, it is found that the indigenous or native financial and banking institutions have been operating successfully and playing for centuries a very very significant role particularly in rural India in catering to the needs of millions of small and big borrowers who, in the absence of modern type financial and banking institutions would have found things really hard. Even after the establishment of commercial banks, cooperative banks and Regional Rural Banks in the far flung rural areas, many villagers are still unaware of the bank and banking facilities. They only know the money lenders who are their friends and the traditional guardians of their property. So the private agencies in general and the money-lenders in particular should not be disallowed and they should not be supplanted with institutional finance rather the indigenous financial institutions should be re-organised and should be linked with the organised sector of banking in the country.

2. INSTITUTIONAL AGENCIES OF

RURAL FINANCE :

The institutional or organised financial and banking agencies mean those institutions which operate within the provisions of the Indian Banking Regulation Act. They maintain accounts which are open to audit and inspection by public bodies. Different institutional agencies developed at different times to reach the banking facilities in the backward areas of the country and to

and the monopolistic dominance of the money-lenders and other native institutions of the similar types. All the institutional agencies of rural finance may be categorised as follows :

- (i) Commercial banks including State Bank of India.
- (ii) Cooperative Banks.
- (iii) Land Development Banks.
- (iv) Regional Rural Banks.
- (v) Agricultural Finance Corporation Ltd.,
- (vi) Agricultural Refinance and Development Corporation.
- (vii) National Bank for Agriculture and Rural Development.
- (viii) Reserve Bank of India.

(1) Commercial Banks :

As an important source of rural finance, commercial banks constitute institutional finance agency for the provision of funds for agricultural operations. Commercial banks, as successors to agency houses combining banking with their commercial and trading activities, are the oldest banking institutions in India. At present, the commercial banks include the Indian Commercial banks scheduled and non-scheduled, State Bank of India and its associates, Regional Rural Banks, Foreign Banks and Merchant Banks. The State Bank of India, Regional Rural Banks and Merchant Banks, though the commercial banks, are treated as a separate constituents.

Commercial banks in India had traditionally developed along certain lines. The commercial banks in India were being controlled

by large industrial houses. As a consequence, apart from the misuse of public deposits for private profit, flow of credit to rural areas and to priority sectors like agriculture and small scale industries had been for all practical purposes receiving scant attention from management of commercial banks. The commercial banks were mostly providing short term finance to trade and well established industries. In 1968 with the adoption of new agricultural strategy and change in the official policy, only the State Bank of India started providing direct finance to the agricultural sector and for allied activities. Other commercial banks started the same work but a little ^{later only} after their nationalisation. The policies of those banks have been urban bias. The urban biasedness of the commercial banks before nationalisation, reasons behind nationalisation, effects of nationalisation and over all appraisal of their performance are being discussed in chapter V.

(11) Co-operative Banks :

With the objective to finance agriculture and small scale and cottage industries, the cooperative banks (or cooperative credit societies) came into existence way back in 1904 after the famous prescription of Nicholson to find Reiffeisen". Cooperative banking is organised on three tier basis — Primary Agricultural credit Societies (PACSs) working at the village level, above them the Central Cooperative Banks (CCBs) working at the district level and then at the top the State Cooperative Banks (SCBs) as the apex cooperative institution working at the State level. The

PACs deal with individuals directly, the CCs deal with Primaries, and are, in turn, dealt with by the SCs.

Cooperative finance got a very significant position in the sphere of rural finance as it has been the best and cheapest source of rural credit. It was initially conceived to be an important and effective institutional agency for purveying rural finance. It was expected that eventually the private credit would be supplemented by cooperative societies. But till 1950-51, the private credit played a very significant role in rural finance (Table 3.1). However, since 1950-51 cooperative credits started helping the farmers in a real manner mainly because of the financial assistance received from the Reserve Bank of India. Thus, the importance of cooperative banks continued to increase even after the nationalisation of major commercial banks. "In spite of the concentrated efforts being made to open branches of nationalised commercial banks since 1965 in rural areas, it may still be said that cooperative banking as yet remains the best answer or the most satisfactory institutions for providing finance to borrowers in the rural areas of India."

The co-operative movement, in spite of all its remarkable progress recorded so far, still shows many distressing features — viz., undemocratic management, increasing influence of the government, etc. — which have resulted in diminishing enthusiasm of people in the cooperative movement as also in their initiative and enthusiasm.

The functions, importance, performance and the weaknesses of the cooperatives are being discussed in chapter V.

(iii) Land Development Banks (LDBs) :

As the name indicates, the LDBs grant long-term advances against the conveyance of land as security. The loans from the LDBs are quite cheap and are spread over a long period of 15 to 20 years. The farmers require credit for various purposes. All their financial requirements may be divided, from the standpoint of time, into three categories — viz., (a) short-term credit; (b) medium term credit; and (c) long-term credit. So far as the short-term and medium-term credit requirements are concerned, they are met by the ordinary credit agencies particularly by the cooperative credit societies. But they do not undertake the long-term financing because of their limited resources, involvement of the assessment of title and valuation of land etc.

It is worth mentioning that the commercial banks have, in fact, been reluctant to advance long-term loans to agriculturists. The agriculturists find it difficult to cover their advances by securities acceptable to the commercial banks. That is, the agriculturists have only their lands to offer as security which the commercial banks do not consider as an acceptable security. The liabilities of commercial banks are mainly short-term. The money lenders and indigenous bankers also, as a rule, do not generally provide long-term credit. What they mostly do is the renewal of short-term loans from time to time on which they charge

compound interest. This practice proved to be detrimental, rather than beneficial to agriculturists.

Owing to these reasons, the necessity of a specialised institution has been felt for a long-term, i.e. such institution which may provide long-term finance to agriculturists against the conveyance of land as security. The Central Banking Committee, the Provincial Banking Committees and various authorities opined in this direction that long-term credit needs of agriculturists can be met with any degree of safety and success by specially established Land Mortgage Banks which can raise bulk of their funds by selling debentures and consequently the Land Mortgage Banks were established with the sole objective to provide long-term credit to the agriculturists against the mortgage of their lands.

The first LMB was established at Jhind, then in Punjab, in 1920 and the number of LMB rose to 12 by 1929 but they were liquidated as they suffered heavy losses. The real beginning of the movement was made with the formation of the Central Land Mortgage Bank in Madras in 1929 and, then, the lead was followed by many other States.

Land Development Banking in India is organised on two tier basis : (1) Primary Land Mortgage Banks at the base and (2) Central Land Mortgage Banks at the apex. There is no uniform pattern of the structure of LMBs in the country. Their structure differs from State to State.

In spite of the progress of the LDCs, including other cooperative banks as detailed in Annexure 3-4 there are various weaknesses and shortcomings of these banks. The All India Rural Credit Survey Report sums up the shortcomings and failures of the LDCs in these words : "At best, it raises inadequate funds in a manner ill-related to demand and usually lends them in a manner uncoordinated with development, asks as if price floors and production was a prior claim on its attention, reaches mainly the larger cultivator and so on and so forth."

(iv) National Rural LDCs (NRLDCs) :

The NRLDCs — a new type of institution combining the special features of both the commercial and cooperative banking is an addition to the earlier banking sector particularly in the existing institutional framework of rural finance. The decision to establish such banks through the centrally was announced by the Government on 1st July, 1972, in the name of the 20 point Economic Programme which among many other things aimed at "devolving alternative agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers, in the context of steps being initiated, also under the programme, to liquidate rural indebtedness of these classes of people."

(v) Agricultural Finance Corporation Limited (AFCI) :

In the sphere of agricultural credit, yet another important

development has been the establishment of the Agricultural Finance Corporation. Soon after the scheme of social control over banks was finalised, the AFC was established on April 10, 1967, as a company constituted under the Indian Companies Act 1956, with an authorised capital of Rs. 1000 million (Rs. 100 crores) and paid up capital of Rs. 50 million (Rupees 5 crores). The AFC came into existence as a consortium of commercial banks.

The objective behind the establishment of the AFC was to supplement the work of the cooperatives as also that of commercial banks with a view to ensuring greater flow of funds to the rural sector. It is fact that till 1962, the agricultural sector was getting credit from the cooperative sector only which was insufficient. Commercial banks were also expected to provide credits to agriculture on priority basis after the scheme of social control was introduced in 1963. But with subsequent growth in the agricultural sector, need for more finance was felt more acutely and with this end in view the AFC was set up on the call of the government to the commercial banks which responded favourably. The major objectives
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of the AFC are :-

- (a) To help distribute various agricultural inputs such as agricultural implements, fertilisers, pesticides, etc.
- (b) To help bring about the development of markets and warehouses as also food industries and forest products.

(c) Formation of livestock, cooperative societies.

(d) Production and distribution of agricultural goods.

In order to fulfil the above objectives, the AFC can finance to the agricultural sector both directly and indirectly. Direct financing has been limited to some selected areas. The AFC has not been established only for providing direct and indirect finance but also to play its role as the coordinator of many agricultural financing agencies apart from being a source of funds for the rural sector.

(vi) Agricultural Refinance and

Development Corporation (ARDC) :

As it has already been seen that the Indian farmers have been facing difficulties in obtaining long-term finance which was available ^{mainly} ~~only~~ through the Land Development Banks which achieved limited success only. In order to fill up this gap, the Agricultural Refinance Corporation* was set up on July 1, 1963 under the Act of Parliament with a view to facilitating the medium and long-term institutional finance to agriculture and allied activities. The ARDC was a refinancing agency and provided assistance to those agricultural development projects which could not be financed by other institutions (such as land development banks, cooperative and

*In order to reflect more clearly the promotional and developmental role being played by the Corporation in agriculture, it was renamed with effect from November 15, 1975, as the Agricultural Refinance and Development Corporation.

commercial banks) either because of the large outlay involved or because the projects could not be brought within the normal rules of business of those institutions. Since the establishment of the ARDC, the commercial banks and other agencies have been availing the facility extended by it and it became an apex body, till the NABARD was established, undertaking re-financing of credit extended by commercial banks and other agencies.

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Objectives : The objectives of the ARDC were :

- (a) Provision of medium and long term credit by way of refinance to the primary lenders for facilitating agricultural development. The primary lenders were CDBS, SIBs and scheduled banks.
- (b) Grant of credit, otherwise than by refinance, upto a maximum period of 25 years to approved cooperative societies.
- (c) Subscribe to the debentures of any eligible institution whose payment of interest and repayment of principal were fully guaranteed by the concerned State Governments.
- (d) Perform certain developmental and promotional functions such as locating growth pockets and

11. Nigam, S.M.L. "Banking Law and Practice" Vikas Publishing House, New Delhi, 1985, pp. 31-32.

rendering necessary expertise for formation, appraisal and implementation of development projects.

Upto the end of June 1982, the ARDC sanctioned 19611 schemes with the commitments and disbursements amounting to Rs. 4650 crores and Rs. 2808 crores respectively. In July, 1982, the ARDC was taken over by National Bank for Agriculture and Rural Development.

(vii) Agricultural Credit Corporation (ACC) :

On the recommendations of the Informal Group on the Institutional Arrangements for Agricultural Credit, appointed by the Reserve Bank of India in 1964, the Agricultural Credit Corporation was set up in 1968 in the States of Rajasthan, Orissa, Bihar, Assam and West Bengal and in the Union Territories of Manipur and Tripura, under the State Agricultural Credit Corporation Act, 1968. These were the states where limited progress was made in the sphere of cooperative credit. The ACC gives loans to cultivators, agricultural marketing societies, cooperative farming societies and central cooperative banks for a maximum period of 5 years for carrying on various types of agricultural operations. For its financial resources, funds were to be mobilised from contribution from the Reserve Bank of India, State Bank of India, Food Corporation of India and banks which were all expected to be shareholders of the ACC. With the approval of the RBI, the ACC was authorised to accept deposits from government, local authorities,

or any other persons.

(viii) National Bank for Agriculture and
Rural Development (NABARD) :

With the widening of the role of bank credit from agricultural development to rural development, need was felt for a more broad based organisation to extend support and give guidance to credit institutions in matters connected with formulation and implementation of rural development programmes. A new significant statutory financial institution named 'National Bank for Agriculture and Rural Development' was set up on July 12, 1982, to operate as national farm bank. It is a single integrated agency with respect to all matters relating to policy, planning and operational aspects in the flow of credit for the promotion of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and allied economic activities in rural areas. NABARD may, therefore, be called as "Rural Reserve Bank".

NABARD has an authorised capital of Rs. 500 crores and paid up capital of Rs. 100 crores (to be contributed equally by the Reserve Bank of India and the Government of India). For its short term operations, it will draw funds from the Government of India, float bonds in the open market and also draw to the extent needed from the National Rural Credit (Long-term operations) Fund and the National Rural

Credit (Stabilisation) Fund.

Functions : The functions of NABARD are as under :-

- (a) It extends short-term credit repayable over a
of
maximum period/18 months to the State Cooperative
Banks, Regional Rural Banks and other Reserve
Bank of India approved financial institutions.
- (b) It may convert the short-term loans, mentioned
above, to the maximum period of seven years under
drought conditions.
- (c) It also provides, besides the loans mentioned in
(i) and (ii), medium term loans for a minimum
period of 18 months and a maximum period of seven
years.
- (d) It provides long term credit for a maximum period
of 25 years including the period of rescheduling.
This type of credit is provided by way of refinance
to Land Development Banks, Regional Rural Banks,
scheduled banks, State Cooperative Banks and other
financial institutions. The purpose of providing
such loans is to promote agriculture and rural
development as well as for giving loans to specified
categories of borrowers.

*These two special Funds were created by the Reserve
Bank of India on the recommendations of the Rural Credit Survey
in 1956.

- (e) It also extends loans to State Governments for a maximum period of 20 years to enable them to mobilise directly or indirectly to share capital of cooperative credit societies.
- (f) It contributes to the share capital and invests in securities of any institution concerned with agricultural and rural development.
- (g) It gives long-term loans to any institution approved by the Government of India.
- (h) In spite of extending credit support, the NABARD, like the Reserve Bank of India, also gives guidance to credit institutions in matters connected with formulation and implementation of rural development programmes.

NABARD sanctions short-term credit limits for financing seasonal operations at concessional rate of 3 percent below the Bank Rate for the purposes of agricultural operations, marketing of crops, marketing and distribution of inputs required for farm and rural development, bonafide commercial and trade transactions and production and marketing activities of artisans, small scale industries, tiny and decentralised sector industrial units, village and cottage industries, handicrafts and other rural crafts. To ensure the flow of credit to weaker sections of the society, it has made obligatory for banks to disburse a specified percentage of short-term loans to small

and marginal farmers and other weaker sections.

As the NABARD was established, it took all the functions of the existing ARDC, i.e., NABARD gives to commercial banks, state cooperative banks, state land development banks and Regional Rural Banks the same refinance facilities which were formerly being given by the ARDC. It also gives to Regional Rural Banks, State cooperative banks the refinance assistance which was being given before by the RBI. That is, it has taken over from the Reserve Bank the total functions of review and monitoring of the entire rural credit system, including credit for rural artisans and village industries and the statutory inspection and refinancing of State Cooperative banks and Regional Rural Banks. The RBI, however, retains the essential controls and nurtures the new banks.

(ix) Reserve Bank of India (RBI) :

The RBI was established on April 1, 1935 representing the culmination of efforts to set up a central banking institution in the country. Since then the RBI has been playing a very vital role in the provision of agricultural finance in the country. Right since its establishment, the RBI has been taking interest in bringing about some sort of integration between the rural unorganised and organised sectors of banking in the country but it could not be brought about. However, the RBI continued to show its interest in the matters of rural finance. In 1956, the RBI, on the recommendation of the All

India Rural Credit Survey Committee, established the National Agricultural Credit (Long-term Operations) Fund with the objective to provide long-term loans to various State Governments enabling them to participate in the share capital of different types of cooperative societies including the Land Development Banks. In the same year the RBI also established another Fund, i.e., the National Agricultural Credit (Stabilisation) Fund with the objective to provide medium term advances to State Cooperative Banks enabling the cooperative credit societies to repay loans in case of default by borrowers owing to natural calamities.

The RBI is, no doubt, the apex banking authority of the country which has full control on other banks of the country. But after the establishment of National Bank for Agriculture and Rural Development in 1982, the RBI has transferred some of its controlling functions to the NABARD. The National Bank has been allowed to draw to the extent needed from both the Funds mentioned above. Now the RBI gives guidance to credit institutions in matters connected with formulation and implementation of rural development programmes.

CHAPTER IV

EASTERN UTTAR PRADESH — AN ECONOMIC PROFILE

Uttar Pradesh, the largest State of the country, is relatively a rural and backward State. The state has been divided into 5 regions, namely Eastern Region comprising of 15 districts; Western Region comprising of 18 districts; Central Region comprising of 9 districts; Bundelkhand Region comprising of 4 districts and the Hill Region comprising of 8 districts. In terms of population, it is larger than any country in Europe (excluding the U.S.S.R.) and Africa, and about the size of Brazil, the largest country of Latin America. It is one of the border States of India, the northern boundary of which forms the international boundary with China and Nepal. On the west lie Himachal Pradesh, Punjab, Delhi and Rajasthan; on the south Madhya Pradesh; and on the east Bihar. Uttar Pradesh lie between $31^{\circ}04'$ and $23^{\circ}52'$ north latitudes and between $77^{\circ}04'$ and $84^{\circ}39'$ east longitudes, covering an area of about 294 thousands sq. kms. Occupying about 9 percent of the area of the country, it ranks fourth in terms of area after Madhya Pradesh, Rajasthan and Maharashtra.

Eastern Uttar Pradesh the area under study, is one of the most backward and most populous regions of the State. It is an under-developed and predominantly agricultural region. It lies between $23^{\circ}52'$ and $28^{\circ}24'$ north latitudes and $81^{\circ}30'$ and $84^{\circ}39'$ east longitudes covering an area of 85637 sq. kms.

This region is not a well-demarcated physical unit, but its eastern limit is formed by U.P. — Bihar State boundary and the southern limit by U.P.—M.P. state boundary. In the west, it is well demarcated by the eastern boundaries of Kheri, Mirzapur, Sarabanki, Rae Bareilly, Fatehpur and Banda districts of the State. The north limit of this region is determined by Indo-Nepal international boundary. The eastern region of Uttar Pradesh comprises 15 districts — namely Allahabad (Allahabad Division); Azamgarh, Basti, Deoria, Gorakhpur (Gorakhpur Division); Ballia, Ghazipur, Jaunpur, Varanasi, Mirzapur (Varanasi Division); Sahraich, Gonda, Faizabad, Sultanpur and Pratapgarh (Faizabad Division). Districts are divided into Tahsils and Tahsils are sub-divided into 'Parganas' and Community Development blocks. There are 66 Tahsils, 192 'Parganas' and 346 Community Development Blocks in the region.¹ The Eastern Uttar Pradesh may be seen in Fig. 4.1. There are also a number of local bodies for the administration of rural and urban areas of the districts. In all, there are 15 District boards (one each for 14 districts and two for Varanasi district) 2 Municipal Corporation for Allahabad and Varanasi, 27 Municipal Boards, 65 Town Area Committees, 19 Notified Area Committees and 3 Cantonment Boards (Allahabad, Varanasi and Faizabad).

1. Statistical Abstract, Uttar Pradesh 1973-74, State Planning Institute, Economics of Statistics Division U.P. Lucknow, pp. 12-15.

Physiography : Structure and Relief :

Physiographically, the Eastern Uttar Pradesh can be sub-divided into two broad regions :

- (i) The Northern Plains; and
- (ii) The Southern Uplands.

(i) The Northern Plains :

It forms the middle segment of the Great Plains of India. In the opinion of geologists, after Himalayan origin, there was a huge trough between the Himalayas in the north and the older plateau of Gondwanaland in the south which was later on filled up with the sediments of Himalayas brought down by the rivers Ganga, Yamuna and Ghaghra and their numerous tributaries.

The alluvial deposits in the plains are of fluvial or sub-aerial formation consisting of gravel, clay, silt, mud or sand brought down by rivers. Gravel and sand deposits are common near the hills in the north and also towards southern uplands.

The plains can be sub-divided into three physical sub-
2
regions.

- (a) The Saryupar or Trans-Ghaghra Plain;
- (b) The Ganga-Ghaghra Doab (including the Ganga-Yamuna Doab); and

2. Singh, A.N. "Industrial Estates in Eastern Uttar Pradesh : A Study in their Location, Development and Possibilities." Thesis submitted for M.Phil, Allahabad University, Allahabad, 1978, p. 66.

- (c) The Gangapar or Trans-Ganga Plain (including the Trans-Yamuna area)

(ii) The Southern Uplands :

The southern uplands are geologically more complex being related to the Indian Peninsular block in origin, age and location. It comprises Deja Tahsil of Allahabad district, the whole Mirzapur district, south of the Ganga and Chakia tahsil of Varanasi district. The height of southern uplands ranges from 75 to 600 metres and above in different parts of the region. On the basis of geological formation, the southern uplands can be divided into three physiographic units:³

- (a) The Vindhyan uplands;
- (b) The Son-Gorge; and
- (c) The Sonpar Upland Complex.

Weather & Climate :

In Eastern Uttar Pradesh, according to Meteorological Department, four seasons hold equally good. They are — (i) the rainy season with south-west monsoon regime (June to September); (ii) The retreating south-west monsoon regime (October-November); (iii) The winter season with north-east monsoon regime (December to March) and (iv) The transitional hot or summer season (April May).⁴

3. Ibid.

4. Referred by Deen, Sahab in his Thesis "Occupational Structure of Urban Centres in Eastern Uttar Pradesh", 1981, p. 13.

Thus, the monsoon reigns supreme in eastern Uttar Pradesh with all the vagaries and extremes in the various elements of climate, because the region is situated in the interior of the Indian sub-continent and away from the equator.

The rainy season starts with the cloud burst of the summer monsoon usually after the second week of June. On average, this season accounts for about 83 percent of the annual rainfall of this region. After mid September, south west monsoon begins to retreat and the day temperatures are generally moderate but the night temperatures decrease rapidly. Humidity decreases till November and this season provides only about 5.2 percent of its annual rainfall. The cold weather begins from November with the appreciable fall in both temperature and relative humidity but the atmospheric pressure begins to intensify over the whole region generally by the end of December or beginning of January. The bright sunny winter provides one of the finest weather in the world. During such weather temperature comes down to 4°C and the cold waves bring occasional frosts during night. By March, the temperature begins to rise rapidly from 28°C in April and reaches at its maximum 47°C in the last week of May. Under such conditions, scorching sun results accompanied with hot-winds, popularly known as 'Loo' in Northern India. From the Figure 4.2, it is quite obvious that the entire Eastern Uttar Pradesh is a region of moderate rainfall which gets over 100 cm. annually but the extreme western

fringes get somewhat less amount. The normal rainfall is 101 cms. in Allahabad, 105 cms. in Varanasi and 126 cms. in Gorakhpur.

Drainage System and Underground Water :

Fig. 4.3 shows the drainage system in the region. The general pattern of the drainage in the plains of Eastern Uttar Pradesh is governed by the general slope of the land from the north-west to the south-east but a more intricate pattern is found in the uplands due to complex geological formation and relief features. There are three major river systems in the whole region :

- (i) The Ghaghra system in the north;
- (ii) The Ganga system in the middle and
- (iii) The Son system in the south.

All of them ultimately merge into one, i.e., the Ganga system.

The drainage of the trans-Ghaghra plain is received entirely by the Ghaghra through its tributaries -- the Kuwana, the Rapti and the Chhoti Gandak coming from Himalayas in the north which have a number of their own tributaries mostly of unstable and seasonal character. The Ghaghra receives almost no stream of importance from the south except a few affluents of smaller dimensions. This region has the dendritic pattern of drainage because of the preponderance of small tributary systems and the fine texture of the drainage lines.

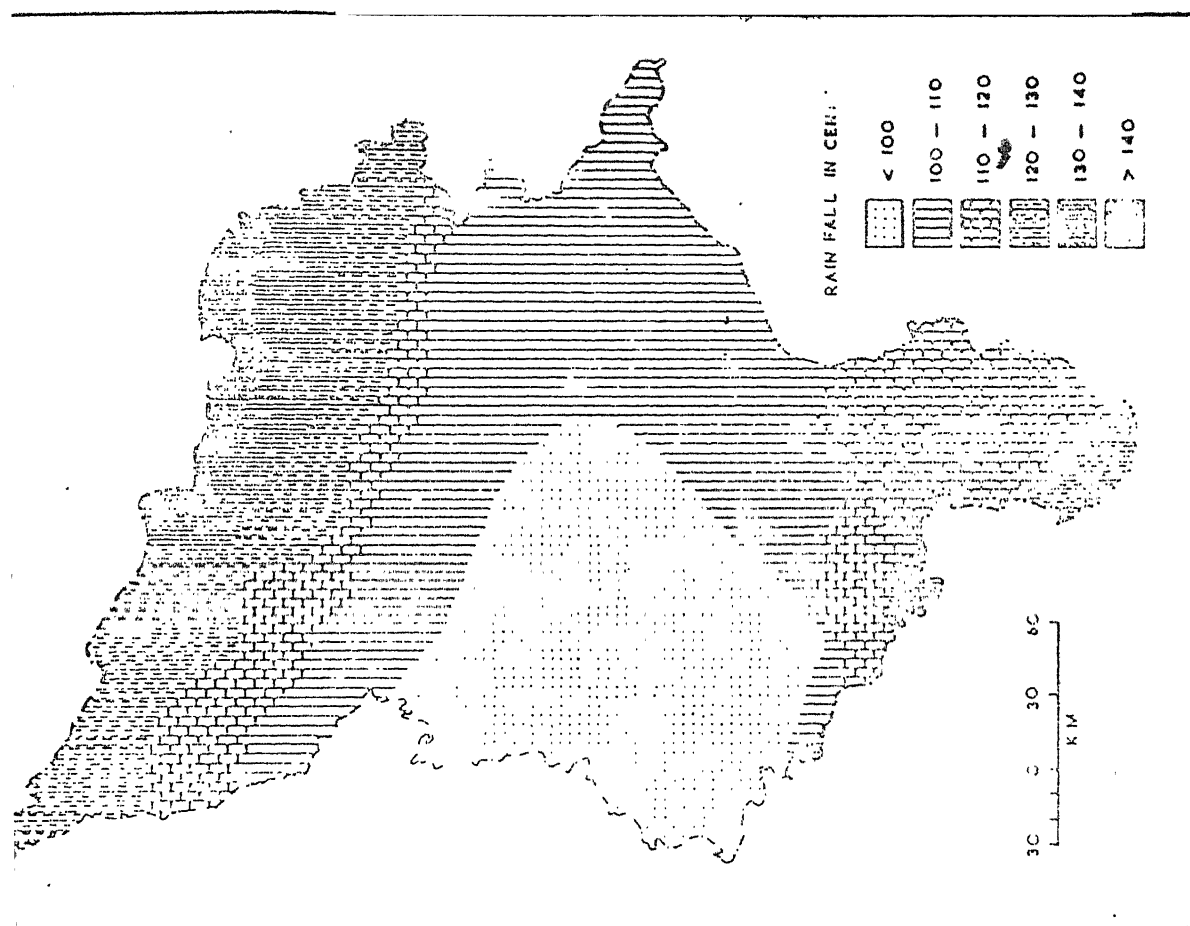


FIG. 4.2

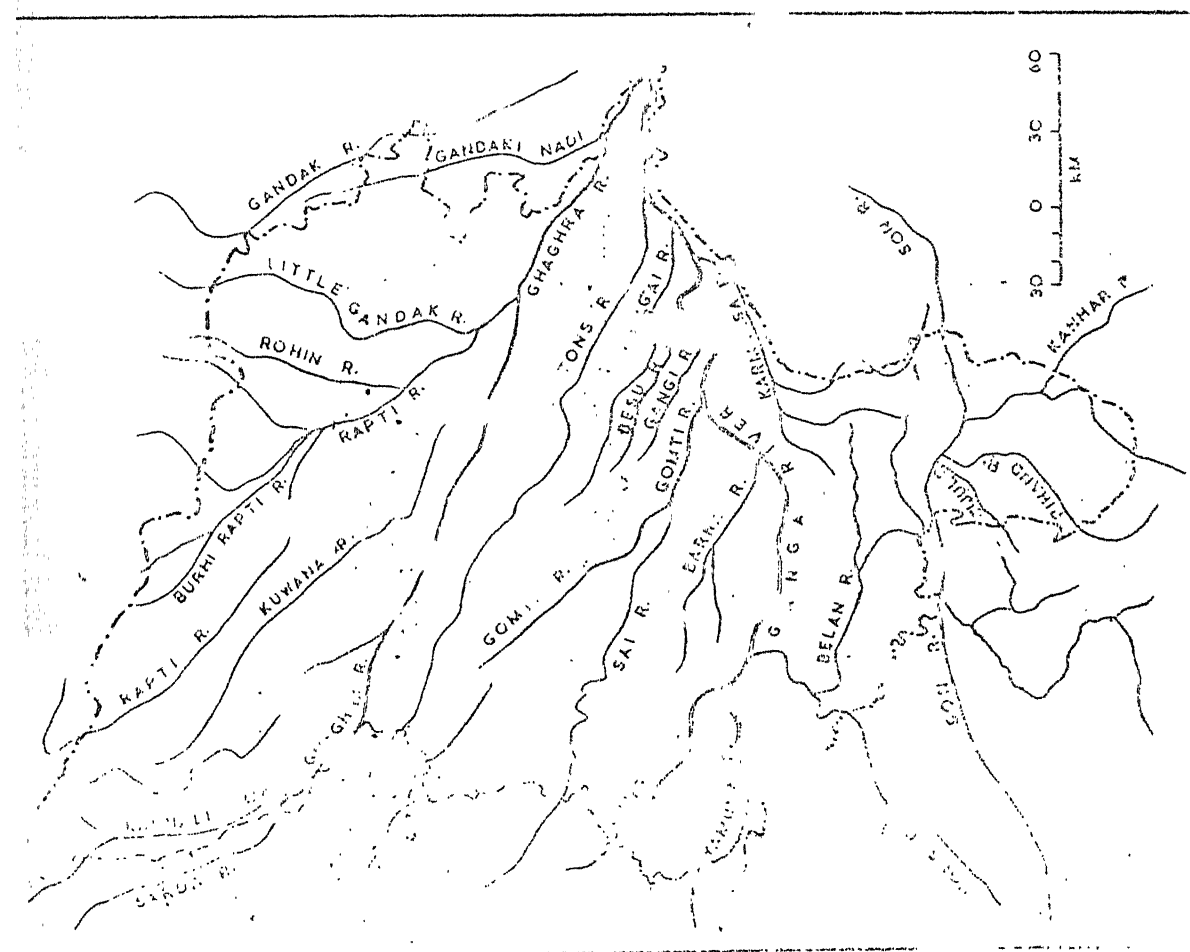


FIG. 4.3

The drainage lines of Ganga-Ghaghra Doab join the main trunk of easterly flowing Ganga river. The Gomati, the largest tributary divides the doab region into two equal parts :

(i) Gomati-Ghaghra Doab, and (ii) Ganga-Gomati Doab. The whole doab is drained by parallel running rivers like the chhoti, Saryu, the Mangai, the Besu and the Gangi which ultimately discharge themselves into Ganga river, while the Barna is the only significant stream in the Gomati-Ganga interfluvium that joins the Ganga near Varanasi. The Pili and Sai are the chief tributary streams of Gomati river which are seasonal in character and assume large size during rainy season. In the south west, Yamuna river coming from west meets the Ganga at Allahabad. The main characteristic of the southern uplands is the intricate pattern of drainage. The two chief drainage lines of this sub-region (southern uplands) are covered by the Ganga and the Son flowing from west to east.

The eastern region of U.P. having adequate rainfall and generally porous alluvial soils have sufficient storage of ground water. The reservoir occurs in the water bearing sediments. The water level is generally lower in the recent alluvium where its sandy nature allows greater sinking of the water than in the older alluvium of clayey areas. However, the water level varies from 3 to 20 metres. It is relatively high in Tarai zone of Saryupar plain.

Having a look on the weather and climatic condition,

and the drainage systems in the region, it is quite necessary to manage and provide sufficient irrigation facilities for successful cultivation and there must also be made suitable drainage lines to make a quick run-off of water during the floods.

Natural Resources :

(i) Forests :

Forests are one of the richest natural resources of the State. The area under forests is about 16 percent of the total area of the State which is lower than the 18.5 percent for the country as a whole. Against this most part of the region has negligible forest land Fig. 4.4 shows the forest land in the region. The three districts of Jaunpur, Ghazipur and Ballia have no forest land at all. In the districts of Pratapgarh, Faizabad, Sultanpur, Azamgarh, Deoria and Basti also, it is negligible as they have below one percent of their total lands under forests. Bahraich, Gonda and Gorakhpur districts have appreciable forests covering 14.3, 9.1 and 8.7 percents of the total lands respectively. Chakia tahsil in Varanasi district, Robertsganj and Dudhi tahsils in Mirzapur district have some 14.5 and 31.2 percents forest land respectively, while only 2.1 percent land of Allahabad district (Meja tahsil) is covered by natural vegetation.

The origin and growth of natural vegetation depends upon the soil and climatic condition. The main species of the natural vegetation found in Eastern Uttar Pradesh are sal, Shisham, Haldu, Khair, Jamun, Mahua, Mango, Neem etc. Some other species of less

EASTERN UTTAR PRADESH FOREST LAND

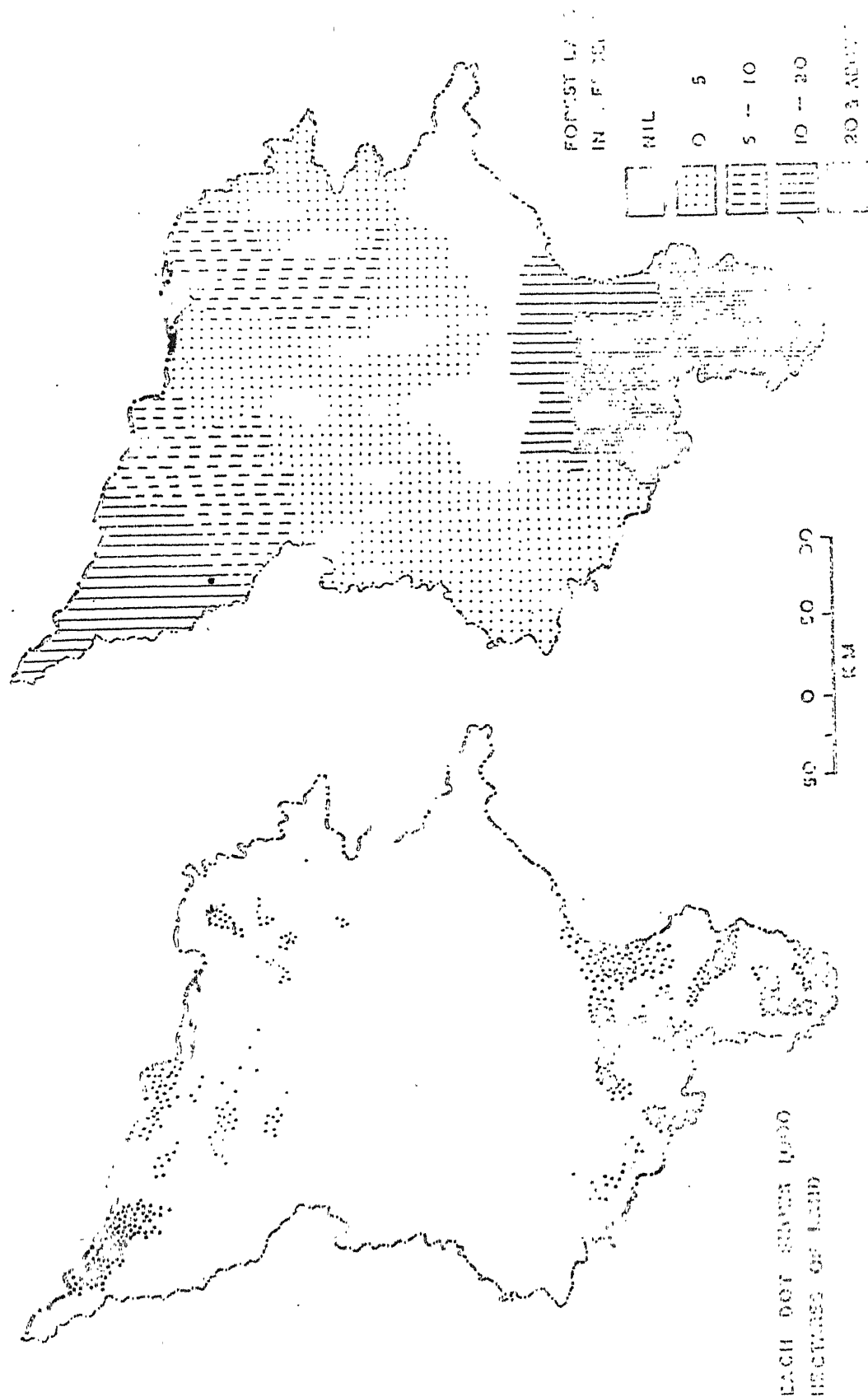


FIG. 4.4

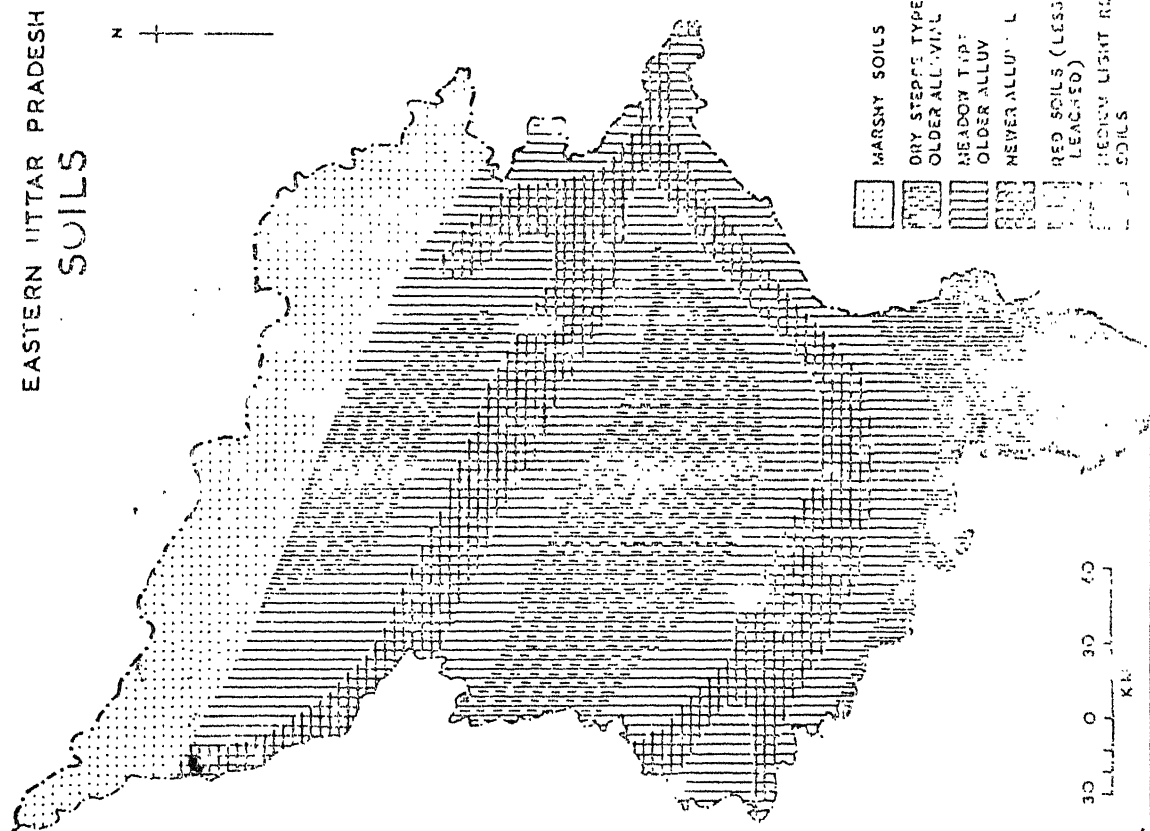
importance may be also mentioned such as 'Mipal', 'Gular', 'Babool', Chak, Ber etc. Bamboo and Sabai grass of Tarai region are very important as raw materials for the paper and pulp industries.

(ii) Soil and Minerals :

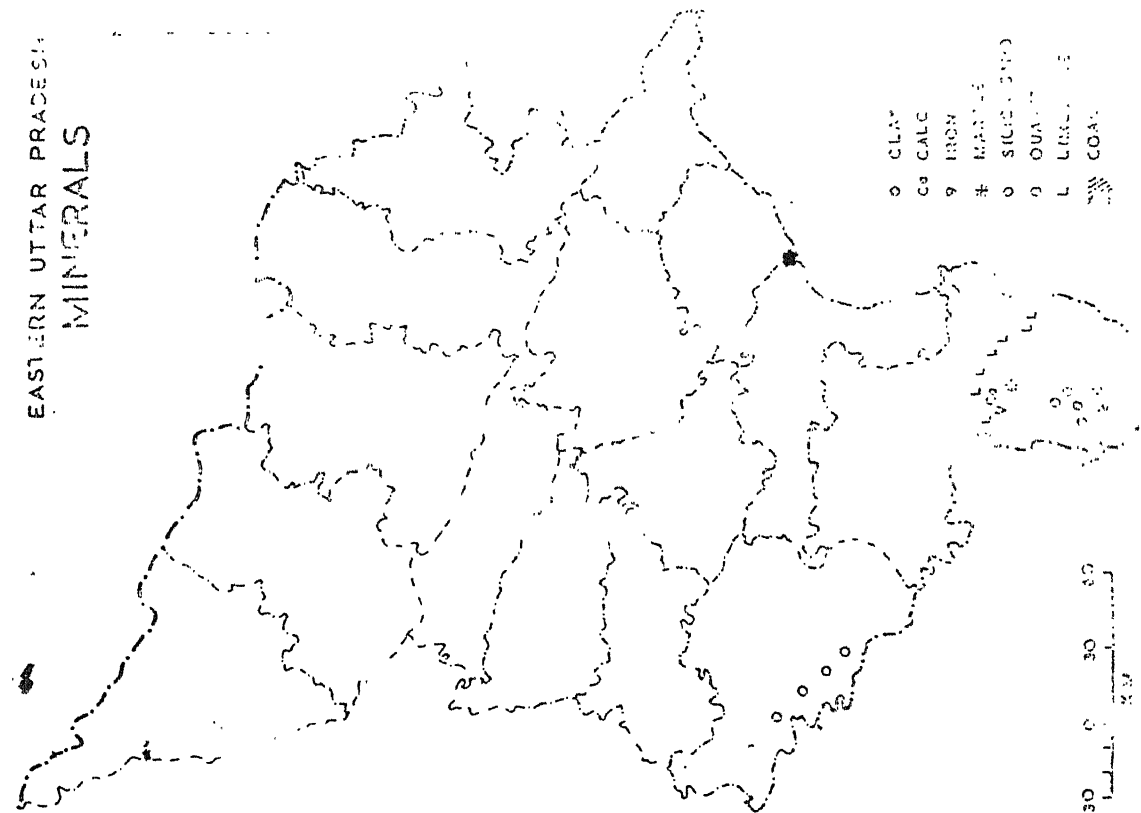
As there are two broad units of Eastern Uttar Pradesh — (i) the Plains, and (ii) the southern uplands, there are two different types of soils. The alluvial or drift soils are found in the former and locally developed or residual soils in the latter. The main features of alluvial soils are commonly derived from the deposit of sediments like clay, silt and sand etc. which are laid down by major rivers of the region and their tributaries. Fig. 4.5 shows the types of soils in the region.

So far as the mineral resources are concerned, not only the eastern region but the entire State of Uttar Pradesh appears to be poorly endowed with mineral reserves. The major portion of the Eastern U.P. is covered with alluvium where no important minerals are found. So the region ranks very low in endowment of minerals. Fig. 4.6 shows the mineral reserves in the region. Known mineral occurrences are confined to the southern uplands in Mirzapur district. Lime stone, coal, calcite, marble, dolomite, clay, quartz etc. are important minerals to be found in the southern uplands. Besides Mirzapur, Allahabad and Varanasi are two more districts of the region where a little amount of minerals

EASTERN UTTAR PRADESH SOILS



EASTERN UTTAR PRADESH MINERALS



are found. For example high quality silica sand is found in a narrow belt in the Meja tahsil of Allahabad district which is chief raw material in the manufacture of glass.

Agriculture :

The eastern region of Uttar Pradesh is characterized by overwhelming dependence on agriculture. As per 1981 Census, more than 80 per cent of the total working population are found to be engaged in agriculture as against the State's average of about 75 percent. It shows relatively heavier dependence of population on agriculture in this region.

(1) Land Utilization :

Eastern U.P. has 65.51 per cent of its total reporting area under net sown category, less than that of western U.P. -- 72.36 per cent, in addition to 3.25 per cent under current fallows and 3.03 per cent under other fallows. The proportion of waste land in the region is about 4.42 per cent of the total land. On district level the net sown area varies from the maximum of 81.91 per cent in Deoria followed by Gorakhpur (80.39 per cent), Basti (77.99%), Azamgarh (75.88 per cent) and Jaunpur (75.04 per cent) to the minimum of only 29.7 per cent in Mirzapur district. The other districts of the region have their net sown area between 64.0 and 75.0 per cent of their respective total areas.

5. U.P. Agriculture in Brief, 1975-76, Deptt. of Agriculture Economics and Statistics, C.S. Azad University of Agriculture and Technology, Kanpur, 1977, p. 17.

(ii) Sources of Irrigation :

Irrigation is necessary for the successful farming operations in this region in view of the seasonal concentration, uncertainty and ill-distribution of monsoon rainfall. Irrigation is essential not only for the crops growing in the rainless summer but also for the proper growth and higher yields of different crops. For example, rice and sugarcane require more water than others for better growth and higher yields.

Among the principal means of irrigation in the region, power-driven tube-wells are the most important. Next important source is the surface well. Besides, a number of canal irrigation schemes are operating in the region like the Ram Ganga, Gandak and Sarada systems of the major irrigation schemes and Command Area Development Projects. The Ram Ganga system covers only Allahabad district of the region while the districts of Gorakhpur and Deoria come under the Gandak scheme and 7 districts of Sultanpur, Pratapgarh, Jaunpur, Faizabad, Azamgarh, Ghazipur and Varanasi are served by the Sarada system. To the medium irrigation schemes, Yamuna Pump Canal, Dohrighat Pump canal and Deokali Pump Canal stage I and II are some recent additions. There are some other sources of irrigation — tanks, lakes and ponds by which a little portion of the area of the region is irrigated.

(iii) Crops :

The agricultural lands, in Eastern Uttar Pradesh, are

devoted to subsistence food crops. They are mainly for the local consumption and the immediate market. Of total cropped acreage of the region about 90 per cent area is put under different food grains (cereals 78 per cent and pulses 12 per cent). Cash crops like sugarcane, oilseeds, potato and jute have very minor proportions of cultivated land — 4.14 per cent, 1.32 per cent, 0.09 per cent and 0.005 per cent respectively. All the crops of the region be grouped into three harvests namely, Kharif, Rabi and Zaid.

Among the food crops, rice, wheat, barley, maize, bajra, jwar, gram, peas, arhar and sugarcane are important while oilseeds, fodder, and fibre crops are significant among non-food crops. Rice is the most important crop of the region and sugarcane is important industrial crop.

Transport and Communication :

Transport covers the distance lying between the producers and consumers. In Eastern Uttar Pradesh, there are two principal means of transportation — railways and roads, though the region is also located on the air map of India through Allahabad, Gorakhpur and Varanasi which provide internal services. But whatever transportation means are available, they are inadequate in terms of "over-grown" population of the region.

The present net work of railways — broad-gauge and metre guage— connect almost all the towns with a number of

important rural centres of the region (see fig. 4.7). The railway services are operated by the Northern, Eastern (both broad gauge) and Northern-Eastern (metre gauge) railways. There are three breaks of gauge trans-shipment point at Varanasi, Shahganj and Jaunpur serving the region. There are two main metre-gauge lines in the region — one running between Allahabad to Bhatani through Varanasi while the other serves the Saryupar plain through Gonda, Basti, Gorakhpur. Much difficulties are to be faced on the break of gauge points in the region.

At present, there are four types of roads in the region: (i) National Highways; (ii) State Highways; (iii) District roads; and (iv) Village roads. First two types of roads have been shown in Fig. 4.7. The existing net work of roads provide an important means of transport and link different parts of the region with each other including those centres which are far from railway lines. Only one-third of the roads (about 6900 kms.) of the region (22990 kms) are metalled. About 30 per cent of the total metalled roads of U.P. are in this region which is less than its population share 37.6 per cent.⁶ In the present condition of road transportation, there is an urgent need of proper bridging of the rivers and the development of good network of all weather roads for the economic progress of the region.

The water transportation has not been developed to any

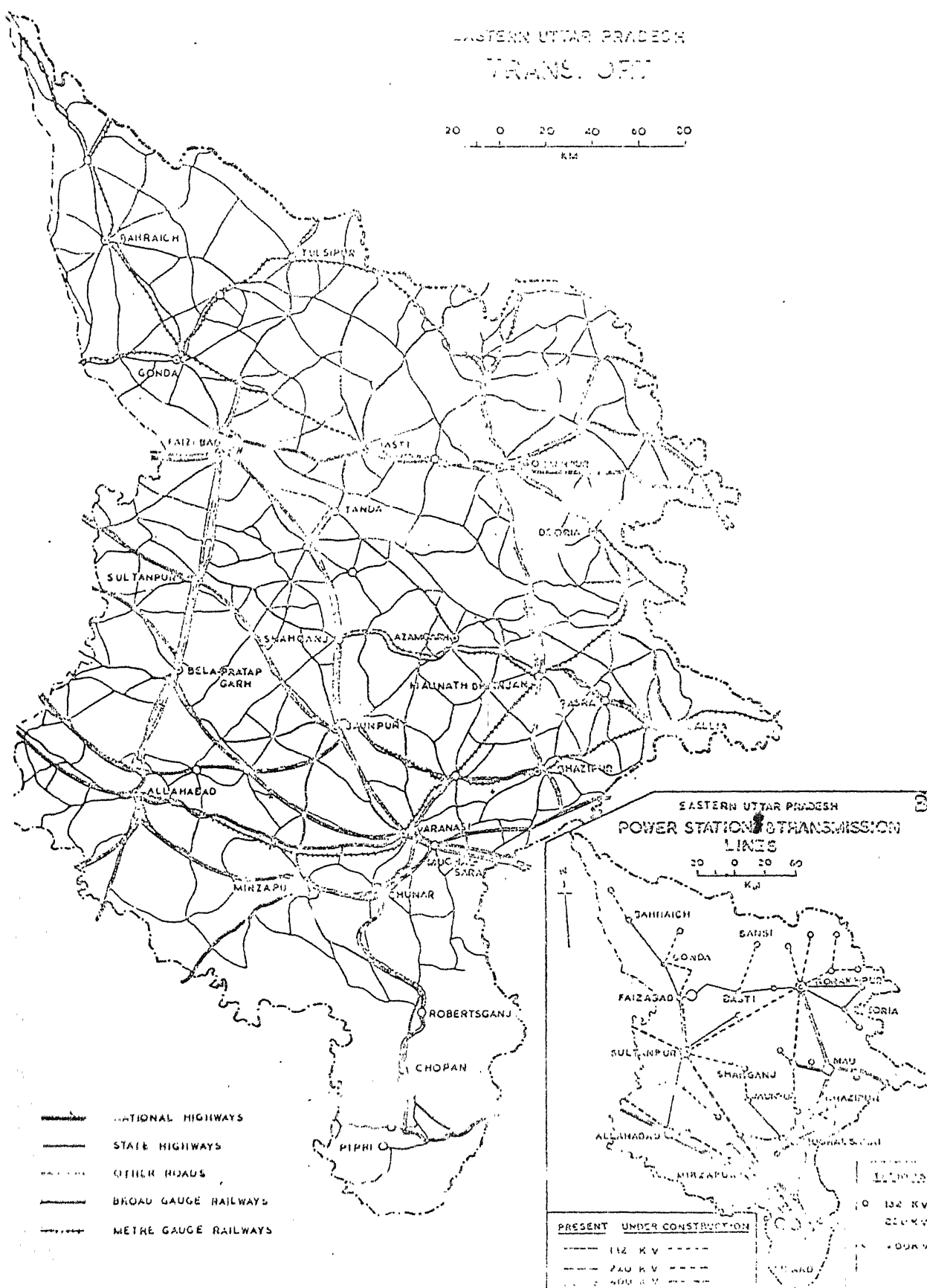


FIG. 4.7

considerable extent in the region, though the region is well-served by a number of navigable rivers like Ganga, Yamuna, Gomti and their numerous tributaries. At present, mostly country-boats ply on navigable rivers.

Power :

Like transportation and communication, power is also an important component of modern development and power is itself useful in industry transportation and other activities. The requirements of fuels coal, fire-wood, diesel, petroleum and water — used to derive power, are met by outside supplies. Only a limited quantity of coal is mined in the coal fields of Singrauli Basin in Mirzapur district.

The shortage of power has been responsible for the backwardness of the region. To overcome the problem, Rihand Hydel Power Project was completed in 1962. Later on, a thermal hydel power station was also set up at Obra. At present the Rihand Hydel, the Obra Hydel, Obra Thermal and newly set up Singrauli Super Thermal Power Projects at Singrauli (Shakti Nagar district Mirzapur) by the WTPC are transmitting electricity fig. 4.7 is showing the power stations and transmission lines in Eastern U.P. But all these projects with their existing capacity could not totally remove shortage of power supply in Eastern Uttar Pradesh because of the increasing demand of the industries and the increasing population.

Industry :

The whole State of Uttar Pradesh in general and Eastern Uttar Pradesh in particular is industrially backward. There are various reasons of its backwardness, the important among them are :

- (a) Very poor base of basic minerals and other industrial raw materials;
- (b) inadequate infra structural facilities such as power, transport and communication and banking etc.;
- (c) paucity of entrepreneurial skill and knowledge about running modern industrial establishment;
- (d) low level of demand due to the general poverty.

Whatever industries are found in the region they are mostly small-scale, cottage and house-hold industries. In the field of large scale industries, the region is so poor that only some selected centres appear here and there on its industrial map. There are only three areas where some visible industrial landscapes may be seen. They are : (i) Bainsi-Allahabad (large and medium scale industries); (ii) Varanasi and environs; and (iii) Mirzapur based on power from Rihand-Obra complex.

Until recently, the organised industrial sector was confined to agro-based industries such as sugar, cotton, textiles, edible oils, miscellaneous food preparations. However, of late electricity generation, rail-road equipment, electrical machinery, basic industrial chemicals, aluminium and cement

factories have sprung up in the region.

(1) Agro based industries :

Sugar industries are most important and found in each district of Saryupar region. They are based on local sugarcane and are mostly concentrated in Deoria (13) and Gorakhpur (9). Besides, Khalilabad and Welterganj in Basti district, Balrampur Nawabganj and Tulsipur in Gonda district are important location of sugar industry. Cooperative sugar factories have also been established at Shahganj (Jaunpur), Masaudha (Faizabad), Aurai (Varanasi), Rasra (Ballia) Sathiaivan (Azamgarh) and Mandaganj (Ghazipur).

Various types of food-processing industries like edible oils, rice, pulses, flour and other mills are spread out in urban areas. Varanasi and Allahabad are most important in this respect.

Textile industries are very important industries of the region. The cotton textiles are located in the districts of Allahabad, Varanasi, Gorakhpur, Azamgarh, Faizabad and Mirzapur. Silk mills are also located in Varanasi. Mirzapur and Bhadohi (Varanasi) have established a good reputation in the country and abroad. New units have been established at Maunath Bhanjan (Azamgarh) and Akherpur (Faizabad).

The cottage and house-hold industries such as those manufacturing handloom cloth, carpet, silk, art silk, wool, calico-

print materials, cane furniture, oil, 'Gur' and 'Chandsari' etc. are widely spread over in the rural and urban areas of this region. Varanasi, Math, Bhanjan, Mubarakpur, Topaganj, Tanda, Gorakhpur, Ghazipur and Faizabad are important handloom centres. The potteries of Chunar (Mirzapur) and Azamabad (Azamgarh) the metal utensils of Mirzapur are also important in the region.

(ii) Industries other than Agro-based :

Mineral based, chemical and engineering industries are other than agro based industries found in the region but not much developed. The mineral based industries are mostly concentrated in Mirzapur district. There are three cement factories in public sector at Churk, Dala and Kajarahat based in local lime stones. Glass factories of Allahabad and Ram Nagar are based on the silica sands from Ghonkargah (Allahabad). The aluminium factory at Renukoot is based on the bauxite from Bihar State. The heavy chemical industries in the region are (i) fertilizers plant in Gorakhpur and Phulpur (Allahabad) and (ii) soda ash factory at Sahapuri (Varanasi) based on power supply from Rihand-Obra complex. The important engineering industries in the region are Triveni structurals Ltd., Bharat Pumps and Compressors Ltd., Indian Telephone Industries Ltd. in the public sector at Allahabad and in the private sector, the G.S.I. of India, Triveni Engineering Works, Geep Industrial Syndicate etc. in the same district of special significance.

The Railway Workshop at Gorakhpur and Diesel Locomotive Works at Banmadih (Varanasi) and tractor factory at Ram Nagar are also important.

Population :

(i) Size and Density :

Eastern Uttar Pradesh is one of the most densely populated regions of the country. With a population of 4.17 crores, the region has an average density of 486 persons per sq. km. as per census of 1981. Having only 29.1 per cent of the State area, it has 37.6 per cent population of the State to reside here. The population has continuously been increasing during post independence period. Table 4.1 shows the growth rate of population of all the districts of Eastern Uttar Pradesh separately and as a whole since 1951.

Table 4.1 Decennial Growth Rate of Population in Eastern U.P.
1951-1981

Districts	Decennial Growth Rate in Per cent			
	1951-61	1961-71	1971-1981	1951-1981
Allahabad	19.04	20.47	29.28	85.40
Azamgarh	14.56	13.65	24.05	68.60
Ballia	11.8	13.94	22.40	62.76
Basti	10.01	13.59	19.91	49.83
Bahraich	11.44	15.13	28.31	64.64
Deoria	12.93	18.4	24.36	66.29
Faizabad	10.19	19.00	23.65	60.80
Ghazipur	15.86	15.89	26.96	70.46
Gonda	10.44	11.05	23.15	51.04
Gorakhpur	14.56	18.44	24.95	69.54
Jaunpur	13.84	16.10	26.33	66.97
Mirzapur	22.91	23.28	32.32	100.49
Pratapgarh	12.69	13.66	26.56	62.11
Sultanpur	10.22	16.28	24.35	59.36
Varanasi	19.35	20.75	29.77	87.01
Eastern U.P.	13.92	17.29	25.57	67.77
Uttar Pradesh	16.66	19.79	25.49	75.37
India				

The region is densely populated as compared to all Uttar Pradesh. It is evident from table 4.2 that the average density of population is 436 persons per sq. km. for Eastern Uttar Pradesh (1981) while the corresponding figure for whole U.P. is only 377 persons. It varies from place to place and ranges in district level

Table 4.2 : Decennial Population of Eastern Uttar Pradesh and Density (fig. in lakh)

	Decennial Population in lakh				Area in sq.km. 1981	Density per sq. km.	
	1951	1961	1971	1981		1981	1971
Allahabad	20.49	24.38	29.37	37.97	7261	523	405
Azamgarh	21.02	24.08	29.57	35.44	5740	617	497
Ballia	11.95	13.36	15.89	19.45	3189	610	499
Basti	23.88	26.27	29.84	35.73	7223	495	408
Bahraich	13.46	15.00	17.27	22.16	6877	322	251
Deoria	21.03	23.75	28.12	34.97	5445	642	521
Faizabad	14.82	16.33	19.27	23.83	4511	528	435
Ghazipur	11.41	13.22	15.32	19.45	3370	577	483
Gonda	13.77	20.73	23.02	23.35	7352	386	317
Gorakhpur	22.39	25.65	30.38	37.96	6272	605	481
Jaunpur	15.17	17.27	20.05	25.33	4038	627	496
Mirzapur	10.17	12.50	15.41	20.39	11310	180	136
Pratapgarh	11.11	15.52	14.23	18.01	3717	485	382
Sultanpur	12.92	14.13	16.43	20.43	4436	461	374
Varanasi	19.79	23.62	28.52	37.01	5991	727	560
Eastern U.P.	248.27	292.82	331.71	416.52	85637	436	387
Uttar Pradesh	632.16	737.46	833.41	1103.52	294411	377	300

Source : 1. Census of India 1951 U.P. Part II-A Gen.Pop.Tables, pp.114-85
 2. " " 1961 Vol. XV U.P. Part II-B(1) Gen.Eco. Tables pp.2-79.
 3. Census of India 1971 U.P. Part II-A, Gen.Pop.Tables.
 4. " " 1981 Series 22-U.P. Social & Cultural Tables, pp. 46-216.

from the maximum of 727 persons per sq. km. in Varanasi to the minimum of only 180 persons per sq. km. in Mirzapur. Some more variations in the population density may be seen in rural and urban areas and on tahsil level. The density population in rural areas of Eastern U.P. is 440 persons per sq. km. and in urban areas it is 4205 persons per sq. km. The district-wise population and area is given in Annexure 4-A.

(ii) Population Structure :

(a) Rural Urban Character :

The entire region of Eastern Uttar Pradesh is rural in character. 89.42% of its population lies in rural areas while urban population shares only 10.58% of the total population of the region. In Uttar Pradesh, the percentage of rural population is 82.06 while 17.94 per cent population of U.P. lives in Urban areas. In all the districts of the region majority of the population lives in rural areas which varies from 73.12% to 96.67%. The rural urban population of the region is given in Annexure 4-B. The percentage of rural-urban population of the region is depicted through the table given on the next page.

**Table 4.3 : Area-wise Decennial population of Eastern U.P.
1911 to 1981 (1931-1981).**

Districts	1951		1961		1971		1981	
	R	U	R	U	R	U	R	U
Allahabad	82.12	17.88	81.79	18.21	81.55	18.45	79.62	20.38
Azamgarh	94.86	5.14	93.22	6.78	94.83	5.17	90.80	9.20
Ballia	91.48	8.52	96.26	3.74	95.42	4.58	90.90	9.10
Basti	98.07	1.93	98.55	1.45	97.48	2.52	95.19	4.81
Bahraich	94.73	5.27	94.67	5.33	94.07	5.93	92.96	7.04
Deoria	96.53	3.47	97.55	2.44	97.05	2.95	93.37	6.63
Faizabad	90.76	9.24	91.36	8.64	90.44	9.56	89.00	11.00
Ghazipur	89.04	10.95	96.52	3.48	95.50	4.50	92.03	7.97
Gonda	95.15	4.85	95.13	4.87	94.35	5.65	92.66	7.33
Gorakhpur	92.45	7.55	92.71	7.29	91.10	7.90	89.41	10.59
Jaunpur	94.46	5.54	94.73	5.27	93.79	6.21	93.33	6.67
Mirzapur	88.79	11.21	83.48	11.52	87.97	12.03	86.86	13.14
Pratapgarh	97.57	2.43	96.32	3.68	93.04	6.96	94.95	5.05
Sultanpur	98.67	1.33	98.16	1.84	98.04	1.96	96.67	3.33
Varanasi	78.98	21.02	76.59	23.41	74.87	25.13	73.12	26.88
Eastern U.P.	92.13	7.87	92.58	7.42	91.75	8.25	89.42	10.58
Uttar Pradesh	86.35	13.65	87.15	12.85	85.98	14.02	82.05	17.95

(b) Sex-Ratio :

As per Census 1981, there are 214.37 lakhs males and 202.15 lakhs females in the region comprising 51.47% and 48.53% of

total population respectively. Thus, the sex-ratio comes to 943 females per 1000 male population in the region which is higher than that of 885 for all U.P. The sex-wise decennial population of Eastern Uttar Pradesh is given in Annexure 4-1. The following table shows the number of females per 1000 males in all the districts of the region.

**Table 4.4 : Sex-Ratio in Eastern Uttar Pradesh
(1951-1981)**

Districts	Number of females per 1000 males			
	1951	1961	1971	1981
Allahabad	947	929	898	890
Azamgarh	1016	1032	996	1021
Ballia	1039	1036	975	985
Basti	957	949	903	928
Banraich	907	897	841	854
Deoria	1003	1001	958	988
Faizabad	971	982	926	934
Ghazipur	1000	1020	977	989
Gonda	931	932	875	890
Gorakhpur	985	978	922	940
Jaunpur	1023	1061	1011	1009
Mirzapur	979	939	903	888
Pratapgarh	1039	1063	1016	1006
Sultanpur	999	1017	970	970
Varanasi	955	950	909	905
Eastern U.P.	980	980	934	943
Uttar Pradesh	910	909	879	885

It is evident from the table 4.4 that the sex ratio varies from one district to another. It is higher in Azamgarh (1021) followed by Jaunpur (1009) and Pratapgarh (1006) while other districts range from 854 (Bahraich) to 989 (Shajapur) females per 1000 male population. In rural and urban population also, the sex ratio is imbalanced.

(c) Literacy :

Eastern Uttar Pradesh is not only economically backward and less urbanised region of the country but it is even educationally far behind the State and the country as well. The literacy rate in the region as per Census of 1981 is as low as 25.93% compared to 27.16% for U.P. The literacy ratios in rural and urban areas of the region are 23.17% and 48.53% and for the whole U.P. it is 23.06% and 45.83% respectively. It means the urban areas of the region are educationally rich in comparison to those of rural areas of the region and urban areas of the State. The literacy rates of the districts among males and females and in rural and urban areas are given in table 4.5 on the following page.

Table 4.5 : Area and sex-wise literacy Rates, 1981.

Districts	Among the total population			Among the rural population			Among the urban population		
	P	M	F	P	M	F	P	M	F
Allahabad	27.99	41.51	12.81	21.02	35.28	5.33	55.24	64.76	43.65
Azamgarh	25.10	33.27	12.20	23.11	36.40	10.25	44.73	55.60	32.76
Ballia	24.18	41.85	14.29	26.47	40.31	12.53	45.20	56.61	32.67
Basti	20.24	31.66	7.94	19.09	30.44	6.91	43.14	54.74	29.45
Bahraich	15.57	24.35	5.29	13.75	22.53	3.45	39.57	48.69	29.18
Deoria	23.20	37.16	9.07	21.75	35.73	7.72	43.55	56.04	29.49
Faizabad	25.61	33.19	12.15	22.81	35.54	9.39	43.33	58.34	36.21
Ghazipur	27.62	41.45	13.63	25.96	39.82	12.04	46.97	59.49	33.07
Gonda	16.32	25.99	5.45	14.50	24.02	3.93	29.30	50.33	26.39
Gorakhpur	23.92	36.66	10.35	20.22	33.10	6.68	55.17	65.08	43.43
Jaunpur	26.30	41.66	10.89	25.04	40.83	9.54	43.94	55.31	31.17
Mirzapur	23.56	35.10	10.62	20.13	31.43	7.63	46.36	57.95	31.80
Pratapgarh	23.81	38.91	8.81	22.72	37.84	7.81	44.34	57.36	29.26
Sultanpur	22.44	35.14	9.37	21.44	34.15	8.41	51.84	62.42	39.40
Varanasi	31.95	45.95	16.25	26.52	41.79	10.05	46.34	56.80	33.96
Eastern U.P.	24.12	36.94	10.61	21.64	34.61	8.10	45.62	57.30	33.46
Uttar Pradesh	27.16	38.76	14.04	23.06	35.18	9.49	45.88	54.73	35.43

Source : Census of India 1981 Series 22, Part II-B, Primary Census Abstract, pp. xxxi - xxxii.

P = Persons
M = Males
F = Females

The literacy ratio, according to the table above, highest in is Varanasi (31.85) because of big urban centres in it. Moreover, there are 9 districts where literacy rate is lower than the regional average. However, it is noted that females have lower percentage of literacy and education than males in both rural and urban areas and in the State as a whole.

(d) Scheduled Castes and Scheduled Tribes :

As per Census of 1931, the scheduled castes and scheduled tribes together constitute 21.20 per cent of the total population of Eastern U.P. while it is 21.37 per cent for whole of U.P. The number of scheduled tribe is quite small as compared to that of the scheduled castes. Majority of the population of scheduled castes and scheduled tribe is concentrated in rural areas. It is evident from table 4.6 that the percentage of SC and ST together to total population varies from the maximum of 32.56 per cent in Mirzapur to the minimum of 15.45 per cent in Ballia.

Table 4.6 : The Scheduled Castes and Scheduled Tribes in Eastern U.P. as per Census of 1981.

	% of SC and ST to total popu- lation of State/District	% of SC	% of ST
Allahabad	24.53	24.52	0.01
Azamgarh	24.82	24.82	NIL
Ballia	15.45	15.45	"
Basti	20.01	20.01	"
Bahraich	16.82	16.53	0.29
Deoria	17.37	17.37	NIL
Faizabad	24.18	24.18	"
Ghazipur	20.59	20.59	"
Gonda	15.81	15.41	0.40
Gorakhpur	21.56	21.50	0.06
Jaunpur	21.44	21.44	NIL
Mirzapur	32.55	32.55	0.01
Pratapgarh	21.56	21.56	NIL
Sultanpur	23.12	23.12	"
Varanasi	18.12	18.12	"
Eastern U.P.	21.20	21.05	0.15
Uttar Pradesh	21.37	21.16	0.21

Source : Census of India, 1981, op.cit. pp. xviii-xx

(e) Occupational Composition :

The region is not only rural in character and most of the population of the region lives not only in rural areas but the region itself has been predominantly agricultural for long and the majority of the working population has been depending on agriculture for their subsistence*. The percentage of main working population as per Census of 1931, engaged in agricultural activity is as high as 83.11% (51.00% cultivators and 32.11% agricultural labourers) as against 73.38% (53.66% cultivators and 24.70% agricultural labourers) for U.P. as a whole. As such only 16.89% of total main working population is employed in remaining activities. About two-third (69.35%) of the total population of the region is comprised of non-workers as against 69.29% for the whole State.

Banking :

The inadequacy of banking facilities in the State of Uttar Pradesh in general and in the Eastern Region of the State in particular has also been one of the reasons of its backwardness because banking is supposed and ought to be considered as the best gadget for the development of an economy.⁷ One of the major differences between the developed and developing

7. Proceedings of the International Seminar on Banking and Development (February 9-12, 1970) RBI, Bombay, P. 1.

*See Annexure 4-D(i) and 4-D(ii).

countries has been the failure of the latter to systematically throw up institutions, especially economic institutions, geared to the needs of the society. It is, therefore, a not too-strange paradox that in India commercial banks until recently ignored the rural sector.⁸ The same thing applies in case of the developed and backward (developing) states and regions — within a country and state respectively. The banking position of All Uttar Pradesh and All India is shown through table 4.7 below :

Table 4.7 : Bank Group-wise Branches, Deposits and Credits in Uttar Pradesh and All India.
(Amount in lakhs of Rs.)

	All Uttar Pradesh				All India			
	No. of offices	De- posits	Cre- dit	CDR %	No. of offices	De- posits	Credit	CDR %
	Amount	Amount	Amount		Amount	Amount	Amount	
At the end of Dec. 1982								
SBI	1035	177662	80361	45.23	9134	1440241	1102700	76.56
Nationalised Banks	2554	328836	141039	42.89	21261	3289689	2035619	61.88
RRBs	1270	12956	10225	78.92	6148	48876	59091	120.90
Other Sch. Com. Banks	323	27997	12946	46.24	4223	445318	309784	69.56
Total	5182	547451	244571	44.67	40966	5224123	3507194	67.13
At the end of Dec. 1983								
SBI	1206	251053	124932	49.76	10772	2500762	1681259	67.23
Nationalised Banks	3037	532030	227417	42.75	24969	5268962	3308981	62.80
RRBs	2749	33369	25989	77.83	12551	127229	139861	102.93
Other Sch. Com. Banks	277	37998	18704	49.22	4429	689804	502493	72.85
Total	7269	854450	397043	46.47	52721	8586757	5632594	65.60

Source 1. Banking Statistics : Basic Statistical Returns Dec. 1981 & Dec. 1982 RBI Bombay, pp.12-13.

2. Banking Statistics Handout Dec.1985, pp. 5-17.

8. Mehta, N.C. & Pandikar, V.A. Pal (Ed.) "Rural Banking" National Institute of Bank Management, Bombay, 1974, p. (11).

Besides the number of bank offices, deposits and credit, the above table shows that the CDR in Uttar Pradesh attained by each group of bank is lower than that of the All India level even after about two decades of nationalisation. The CDR for All Uttar Pradesh is much lower than the All India CDR which means that the nationalisation could not reduce the regional disparities in terms of the number of bank branches and credit deployment.

Similarly if the population group-wise CDR of All Uttar Pradesh is compared to that of All India level, it is also found that at All India level the CDR is more than the All Uttar Pradesh CDR irrespective of the rural, semi-urban, and urban/metro-politan areas. Table 4.3 shows the bank-group-wise and population group-wise CDR for All Uttar Pradesh and All India.

Table 4.3 Bank-Group-wise and Population Group-wise CDR in Uttar Pradesh and in India.

As at the end of December, 1985	All U.P.			All India		
	Rural	Semi- urban	Urban/ Metro- politan	Rural	Semi- urban	Urban/ Metro- politan
State Bank of India	50.39	49.09	54.22	62.48	56.08	72.98
Nationalised Banks	56.20	44.21	37.47	57.87	49.13	67.69
Regional Rural Banks	82.76	54.34	66.00	124.86	72.13	40.23
Other Sch. Com. Banks	39.00	39.72	55.97	53.85	48.99	80.63
All Sch. Com. Banks	58.16	45.95	41.93	64.36	51.92	70.28

The above table shows that the CDR attained by SBI in rural areas of U.P. is 50.39 per cent as at the end of December.

1985 while it is 62.49 per cent for All India. In semi-urban areas of U.P. the CDR is 49.09 per cent while it is 56.08 per cent for All India. In urban/metropolitan areas there is a difference of 18.71 per cent between the CDRs for All Uttar Pradesh and All India. More or less similar type of differences may be seen in case of every group of banks.

As compared to the whole State, the banking facilities in Eastern U.P. has been inadequate. The banking facilities in Eastern Region of Uttar Pradesh are compared with All Uttar Pradesh and All India, and further with other regions of Uttar Pradesh through table 4.9 and table 4.10.

Table 4.9 : Banking Facilities in Eastern Uttar Pradesh compared with All Uttar Pradesh and All India as at the end of September, 1985

Particulars	Unit	Eastern U.P.	U.P.	India
Bank Offices	Number	2381	7332	53236
Population per Bank Office	Thousands	17.49	15.12	12.77
Bank Deposit	Rs.lakhs	269021	956867	9402231
Bank Deposit per capita	Rupees	416.52	863.12	
Bank Credit	Rs.lakhs	100517	412790	5984049
Bank Credit per capita	Rupees	241.33	372.35	
Credit Deposit Ratio	Percentage	37.36	43.14	63.64

Source : Based on tables 4.2 and 4.11

Table 4.10 : Region-wise Credit Deposit Ratio of All Scheduled Comm. Banks as at the end of December.

Name of the Regions	1969	1975	1985
1. Eastern Region	0.30	0.29	0.39
2. Western Region	0.47	0.49	0.50
3. Central Region	0.57	0.65	0.55
4. Bundelkhand Region	0.18	0.20	0.41
5. Hill Region	0.29	0.29	0.31

Source : RBI : Banking Statistics, Basic Statistical Return, Summary Results Dec. 1969, 1975, 1985.

As noted in the foregoing paragraphs the Eastern Region is over populous. From this point of view the number of bank offices must have been greater as compared to other places. But table 4.9 shows that at the end of September, 1986, population covered per bank branch in Eastern U.P. is the highest (17.49 thousand) as compared to that of All Uttar Pradesh (15.12 thousand) and that for All India level (12.77 thousand) as per census of 1981. Similarly the CDR is the lowest in Eastern U.P. (37.36%) followed by All U.P. (43.14%) and All India (63.64%). It means that the nationalisation of major commercial banks failed, to a great extent, to reduce the regional disparities in terms of the banking facilities. The reduction in regional disparities is mainly due to the RRBs.

Table 4.10 shows the region-wise credit deposit ratio of all the scheduled commercial banks which reveals the fact

that the position in Eastern U.P. in 1975 was more or less the same as existed in 1959, at the time of nationalisation. It is only the scheme of CDRs which has improved the banking position in Eastern U.P. and other backward areas not only in terms of branch expansion but in terms of the local deployment of funds. The following table shows the banking position in each district of Eastern Uttar Pradesh.

Table 4.11 : District-wise offices, Deposits, Credit of All Scheduled Commercial Banks of Eastern Uttar Pradesh.
(as at the end of September, 1986)
(Amount in lakhs of Rupees)

Sl. No.	Name of the districts	No. of offices	Deposits	Credit	C.D.	CDR ex-cluding the RRBs %
			Amount	Amount	Ratio %	
1.	Allahabad	223	41562	15295	36.80	35.98
2.	Azamgarh	199	18367	6431	34.98	30.62
3.	Ballia	121	12910	3870	29.98	21.15
4.	Basti	151	10999	4647	42.25	41.16
5.	Bahraich	128	6305	3633	57.62	49.49
6.	Deoria	165	13661	6185	45.21	42.36
7.	Faizabad	131	14402	4745	32.95	31.35
8.	Ghazipur	132	11979	4407	36.79	34.04
9.	Gonda	131	9294	3345	35.99	33.11
10.	Gorakhpur	217	28793	9168	31.84	29.85
11.	Jaunpur	157	14919	4351	29.16	26.29
12.	Mirzapur	136	15591	9524	61.09	61.54
13.	Pratapgarh	103	7407	1984	25.43	22.71
14.	Sultanpur	115	10153	3268	32.19	26.86
15.	Varanasi	272	52639	20764	39.45	38.51
Eastern Uttar Pradesh			269021	100517	37.36	35.57
Rest of Uttar Pradesh			687946	312273	45.40	44.20
All Uttar Pradesh			956867	412790	43.14	41.75
All India			9402231	5934349	63.64	62.93

Source : Banking Statistics, Quarterly Handout September, 1986, pp. 28-30 and 36.

The above table reveals that the CDR for all the scheduled commercial banks in every district as at the end of September, 1986 is more than the CDR for all the scheduled commercial banks except the RRBs. From the table it is also found that except Sahraich and Deoria, the CDR in all the districts is lower than the average CDR for all Uttar Pradesh.

If we see the district-wise branch net work of all the commercial banks, we find that the population covered per branch of commercial banks in Eastern Uttar Pradesh is the highest as compared to that of all Uttar Pradesh and All India whether at the time of nationalization or after nationalisation. District-wise population covered per branch of scheduled commercial banks as at the end of June, 1969, June, 1975 and June, 1985 are shown through the following table.

Table 6.12 : Population covered per Branch of Sch. Comm. Banks as at the end of June
(Figs. in thousands)

Sl. no.	Name of the districts	Taking the population of 1971			Taking the population of 1981		
		1969	1975	1985	1969	1975	1985
1.	Allahabad	26	69	213	113	43	18
2.	Azamgarh	11	37	193	260	77	18
3.	Ballia	9	21	118	199	76	16
4.	Basti	7	23	147	426	130	24
5.	Sahraich	5	17	128	345	102	17
6.	Deoria	11	20	149	255	141	23
7.	Faizabad	10	25	129	193	77	18
8.	Chazipur	9	22	131	192	70	15
9.	Gonda	11	24	126	209	96	23
10.	Gorakhpur	17	43	211	179	63	18
11.	Jaunpur	7	29	157	386	69	16
12.	Mirzapur	13	35	135	119	44	15
13.	Pratapgarh	5	13	101	235	109	18
14.	Sultanpur	5	13	110	329	125	19
15.	Varanasi	43	99	289	56	29	14
	Eastern U.P.	187	495	2317	177	67	18
	All Uttar Pradesh	738	1875	7140	120	47	16
	All India	8252	16730	51644	65	-	13

The population covered per branch of scheduled commercial banks in India as at the end of June 1985 is 13 thousand as per population Census of 1981. This figure for all Uttar Pradesh works out to 15 thousand while for Eastern Uttar Pradesh 13 thousand. The population covered per branch in Basti is the highest (24 thousand) and in Varanasi is the lowest (14 thousand). So far as the regional disparities are concerned, it existed in 1975 more or less the same as in 1969. But now the position has changed to a great extent. These are the SBCs who contributed a lot in reaching the banking facilities in backward areas like Eastern Uttar Pradesh. Although the SBCs have reduced the coverage of population per branch, yet the number of branches in Eastern Uttar Pradesh, in general, went increase at a faster rate and particularly in the districts of Basti, Deoria, Gonda and Sultanpur.

CHAPTER V

THE IMPORTANCE OF RESEARCH APRIL 24, 1944

The last chapter has led up to the conclusion that in spite of all the efforts to overcome the stoppage of rural finance, lack of effective coordination between a rural cooperative credit societies and adoption of "multi-agency approach to rural credit", there was no perceptible improvement in the dispensation of credit to the rural poor. The weaker sections of the population in rural areas were left high and dry. Since both the cooperatives and commercial banks suffered from many disabilities, there existed a vast gap — both quantitative and qualitative. Quantitative in the sense that only about one-third of rural credit now began to be handled by institutional agencies and qualitative in the

1. A number of Commissions and Committees have so far, been set up to examine the problems of rural finance. These are : Macleagan Committee (1913); The Royal Commission on Agriculture (1926), The Indian Central Banking Enquiry Committee (1937), The Bhansali-Mehta Committee (1938), The Madgal Committee (1944); The Cooperative Planning Committee (1949); The Rural Banking Enquiry Committee (1949); The Rural Credit Survey Committee (1954); The Committee on Cooperative Credit (popularly known as Vaikuntha Mehta Committee (1960), The Study Group of the RAI on Agricultural Credit Arrangements for Cooperatively less developed states in the Northern and Eastern Regions (1963-64); The Cooperative Credit Review Committee (Venkatappiah Committee 1959), The Committee to Study the Institutional Arrangements for Agricultural Credit in the context of Social Objectives (under the Chairmanship of Prof. D.R. Gadgil) (1969), The Banking Commission (1972), The Working Groups headed by N. Narasimham (1975) and etc. etc.

2. It was done first through the instrument of social control — 1955 and later by nationalisation of the 14 major commercial banks in July, 1969.

sense that such institutional credit, as has been purveyed, has not benefitted, to a significant extent, the small and marginal farmers.

It was against this background that it came to be contemplated that specialised financial institutions should be established to handle effectively the problems of providing credit in rural areas. Accordingly the Banking Commission under the Chairmanship of Mr. N.D. Barraiyya was set up by the Reserve Bank of India to look into the matter. The Commission submitted its report in 1972. In order to improve the banking structure in the rural sector and to strengthening the cooperative credit, system the Commission recommended the creation of "Rural Banks" in addition to the regular branches of commercial banks already opened or to be opened in rural areas. According to the Banking Commission such "Rural Banks" could come into existence in any one of the following three ways :-

- (a) conversion of primary cooperative societies providing all the banking services;
- (b) establishing subsidiaries of commercial banks; and/or
- (c) establish special type of "Rural Banks" sponsored by commercial banks and supported by local participation.

The Commission had its own reservation regarding the effectiveness of the "Rural Banks" inasmuch as that all the

economic ills of the rural society could not be remedied by this measure all alone. But the most effective and most appropriate method by which the problem of rural credit could easily be solved by what may be described as "multi-pronged programmes". Under this programme, the cooperative credit societies, branches of commercial banks, and such 'Rural Banks' will have to play their respective roles, with the bulk of responsibility to be shouldered by the Regional Rural Banks.

The idea of establishing the 'Rural Bank' was however, not new. The Agricultural Finance Sub-Committee popularly known as Gadgil Committee (1944) had suggested the establishment of a single institutional organisation to provide all the three types of credit, viz., short-term, medium-term and long-term credit.⁴ In its Memorandum to the Rural Banking Enquiry Committee in 1949, the Bengal National Chamber of Commerce and Industry had suggested a scheme of rural banks to cover all the taluques of the country as a whole.⁵ The All India Rural Credit Review Committee also came forward with the idea of "Rural Banks". The Committee was of the view that primary cooperative banks should gradually be developed into rural banks.⁶ The idea of rural banks was also put forward by the Study Group of the National Credit Council under the Chairmanship

4. Desai, S.S.M. op.cit. pp. 284-285.

5. Panandikar, S.C. and Nithani, D.M. "Banking in India" Orient Longman Ltd., Bombay 12th Edn. 1975, p. 168.

6. Report of the All India Rural Credit Review Committee, RBI, Bombay, 1969, p. 459.

of Prof. D.R. Gadgil. It was another thing that the idea did not receive much appreciation. It was the Banking Commission (1972) which stressed the establishment of 'Rural Banks' on the following two grounds and the idea got favourable response.

- (i) As there is a formidable problem of personnel and management, the commercial banks can not cover the rural areas adequately even under the 'Lead Bank Scheme'.
- (ii) The rural banks would provide opportunities for local participation, and democratic management and would be directly responsible to local needs and urges.

The establishment of 'Rural Banks' owes its existence to the defective working of the cooperatives and commercial banks. The Government of India notification for setting up the Working Group on RRBs (1975) reads, "It has been felt in many quarters that, unless new institutions are started on the basis of attitudinal and operational ethos entirely different from those obtaining in the public sector banks, we shall be only perpetuating the present mode of functioning in the public sector banking system", thus underlying the need for having a special agency for rural finance.

Accepting the recommendations of the Banking Commission, the Government of India appointed a Working Group under the

7. "Reading Material Kit" prepared after "Orientation Seminar for RRB/BSI Officers on RRBs Board" (July 20-August 1, 1984) at Bankers Institute for Rural Development (BIRD) Lucknow Chapter 2 "Evolution of RRBs Policies and Perspective" p. 1.

Chairmanship of Shri M. Narasimham (the then Additional Secretary in the Department of Economic Affairs, Government of India) on July 1, 1975 "to examine in depth the setting up of new "Rural Banks" as subsidiaries of public sector banks to cater to the credit needs of the rural people." It was followed in the wake of 20 point economic programme announced by late Prime Minister, Mrs. Indira Gandhi in June 1975. The programme itself aimed at "devising alternative agencies to provide institutional credit to landless labourers, rural artisans, and small and marginal farmers, in the context of steps being initiated, also under the programme, to liquidate rural indebtedness of those classes of people."⁸

The Group submitted its report on July 30, 1975. The Group studied the performance of both the cooperatives and commercial banks and identified their various weaknesses and difficulties.

About cooperatives the observation of the Group was that the progress of cooperative credit, which started way back in 1904, has, by any reckoning, been very impressive particularly since 1951. Cooperative membership has grown and its territorial coverage has widened. Cooperative loans have increasingly been made for productive investment and on the basis of rational and objective criteria. But the overall performance of co-operatives has been less than satisfactory because the benefits

of cooperative development, even in the States where it has done well have not extended to all strata of cultivators. For example, as at the end of June 1973 the primary societies were nationally covering 95% of the villages, yet the average membership was no more than 253 in 1.58 lakh societies. Even amongst the membership, the average proportion of borrowings members to total members was as low as 40 per cent. The weaknesses of the cooperatives, according to the Working Group, may be summarised as under :-

- (a) Inability to mobilize adequate deposit resources.
- (b) Dominance of vested interest which affected their efficient functioning, especially effective supervision of credit.
- (c) Inadequate coverage of the small and marginal farmers.
- (d) Indifferent management.
- (e) Limited absorptive capacity of refinance from the higher tiers of the cooperative structure because of the inadequate non-over due cover. Due to this limited absorptive capacity and heavy reliance on loans, the scale of finance actually disbursed by the cooperatives has not been in conformity with the requirements of technology-intensive agriculture on the one hand and on the other this inabsorptive capacity has also come in the way of extension of cooperative finance to cover larger number of cultivators, especially the small farmers.
- (f) Untrained staff.

9. "Reading Material Kit" op.cit. Chapter 3(1) "Report of the working Group on ARDs (Narasimham Committee), p. 5.

As regards the commercial banks, the working Group observed their entry into rural areas and increasing participation in dispensing direct agricultural credit. For example, the branches of commercial banks in rural areas increased to 6907 in June 1975 from 1333 in June 1969. Commercial banks direct lending to agriculture which was Rs. 54 crores in June 1969 rose to ten times, i.e. Rs. 540 crores in December 1974. But it constituted no more than about 6 per cent of total commercial banks credit. The increase was in absolute amount only. "The presence of a branch in rural areas is a necessary, but not a sufficient condition for effective rural finance. This depends on how active the rural branches are."¹⁰

The progress of commercial banks in matter of rural finance has also not been satisfactory. The reasons behind this have been identified by the Working Group :-¹¹

- (a) The Commercial banks experienced high cost of operation in expanding its branches in rural areas. The high cost of operation arises primarily due to (i) high salary structure of the commercial banks, (ii) other establishment cost of commercial banks in terms of securing right type of buildings providing for strong rooms and the like, and (iii) staffing pattern of banks, i.e., the number of bank employees, especially at what may be termed as non-productive levels, has been high.
- (b) Most of the rural branches of commercial banks became the deposit centres rather than advance centres. That is, commercial banks have been relatively successful in mobilising deposits in the rural areas, their credit dispensation in most rural branches was not adequate to earn for them sufficient income to make these branches viable.

10. *ibid.* p. 3.

11. *ibid.* pp. 7-10.

- (c) The commercial banks have had their origin in urban areas and manned by staff most of whom have an urban orientation and to whom rural banking constitutes a difficult and comparatively unfamiliar activity. Due to their urban bias, they had not established a net work of branches in rural areas.
- (d) The commercial banks had neither the experience nor the expertise in the matter of financing agriculture. Their security oriented approach aiming at profit maximisation by mostly concentrating for providing short term credit to trade and industry in urban areas was unsuitable and, therefore, unsatisfactory when applied to the agricultural sector.

Due to the above disabilities and difficulties of cooperative and commercial banks the Group recommended the establishment of 'Rural Banks' as their alternative which would combine the better features of both systems and avoiding the disabilities that are inherent in them. That is, "an institution which combines the local feel and familiarity with rural problems which the cooperatives possess and the degree of business organisations, ability to mobilize deposits, access to central money markets and a modernised outlook which the commercial banks have."¹²

However, the Farmers Service Societies were already in existence to dispensing credit and other services in the forms of input supply, technical services, extension work and eventually storage, marketing, processing and other agro-services. The FSSs which undertook the task of dispensing

12. *ibid.*, p. 10.

credit and other supporting services, however, faced the problem of obtaining resources.

The Group felt that due to insufficient progress of institutional lending - irrespective of cooperatives, commercial banks and PSSs -- the farmers especially the small farmers depend on the traditional non-institutional sources. If, however, the existing institutions are re-organised and restructured, they would not be able to fill the regional and functional gap in the rural credit institutional system, thus opined the Working Group. Therefore, the new institution should be State sponsored, regionally based and rural-oriented commercial banks. According to the Group : "In a country of the size and regional diversities as ours, no single pattern, be it commercial banking - cooperative credit, can be expected to meet all the emerging requirements in all areas. A degree of adaptation and improvisation is called for and the range of institutional alternatives widened. It is in this context that we have come to the conclusion that a new type of institution is necessary."¹³ The Government of India accepted the recommendations of the Working Group and Regional Rural Banks Ordinance (later replaced by RRBs Act 1976) was promulgated by the President on 26th September, 1975. Thus the RRBs emerged.

RURAL BANKS DEFINED :

RRBs came into being as an alternative to the banking

13. *ibid.*, p. 13.

system already in existence and with some specific purposes other than those of commercial and cooperative banks. The meaning of 'Rural Bank', is, therefore, a little different from the meaning of other commercial banks. The Banking Commission which proposed the creation of rural banks described it as "a primary banking institution set up to serve a compact group of villages generally working as a cooperative bank or as a subsidiary of a commercial bank."¹⁴ Thus the rural banks mean banks to serve the villagers and thereby contribute in the development of villages. "The rural bank", according to S.L.N. Simha, "is a kind of banking entity with a cooperative character but providing a much wider range of services than those offered by primary agricultural credit societies."¹⁵ The RRBs have been created to serve particularly small and marginal farmers. Therefore, it may be defined as "an institution having the banking business in general (i.e. accepting deposits and advancing loans) and aiming at developing the rural economy, in particular, by providing, for the purpose of development of agriculture, trade, commerce and industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural and landless labourers, artisans and small entrepreneurs and for matters connected with and incidental thereto"

14. Report of the Bkg. Commission, 1972, Quoted by Panandikar, S.G. and Mithani D.M. "Bkg. in India", p. 168.

15. Simha, S.L.N. "Reform of the Indian Bkg. System" Quoted by Panandikar, S.G. & Mithani, D.M. : "Banking in India" 1975, p. 168.

SPECIAL FEATURES OF RRBs :

The following are the main characteristics of RRBs:

- (i) The RRBs are mostly sponsored by scheduled commercial banks but one State Cooperative Bank has also sponsored one RRB.
- (ii) The Steering Committee on RRBs (the functions of which have since been taken over by NABARD from the RBI) identifies the districts requiring RRBs for additional number of branches of commercial banks. While selecting a district for RRBs, the SC/ST population, proportion of weaker sections, such as marginal farmers, agricultural labourers etc. are taken into consideration. The Pandey Group had recommended in 1968 various criteria¹⁶ for identifying backward States union territories and backward districts in backward States. The Government of India had accepted the recommendations.
- (iii) Each RRB is jointly owned by Government of India, the concerned State Government and the Sponsor Banks. The paid up share capital being held in the proportion of 50:15:35 respectively.
- (iv) By the virtue of the provisions in the RRBs Act, the Sponsor Bank provides managerial and financial assistance to the RRBs sponsored by it for the first five years and thereafter on the basis of mutually agreed terms.
- (v) The management of RRBs vests in the Board of Directors, consisting of 9 Directors, besides the Chairman who is at present an officer of the sponsor bank but appointed by the Government of India. Both the Central Government and sponsor bank nominate 3 Directors each (in addition to the Chairman) while the State Government nominates two Directors. According to the present arrangement, at least one non-official is nominated as Government or sponsor bank Director.

16. Report of the Pandey Working Group on "Working Group on Identification of Backward Areas". GOI, 1968.

- (vi) To start with, the staff requirements of RRBs are met by the sponsor bank. The RRB recruits its own staff in due course and it is ensured that the RRBs depend to the minimum extent on the sponsor bank for their staff in course of time.
- (vii) The main objective of the RRB is to develop the rural economy by providing credit and other facilities for agriculture, trade, industry and other productive activities in the rural areas particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.
- (viii) The RRBs are scheduled commercial banks carrying on banking business, but their operations are somewhat limited because of the fact that their lendings are confined only to the weaker sections of the community. Nonetheless, they accept all types of deposits and also render other banking services consistent with the needs of the area and their capability.
- (ix) After making provision for bad and doubtful debt, etc., RRB may, out of the net profits, declare a dividend.

DISTINCTION BETWEEN RRBs AND OTHER SCHEDULED COMMERCIAL BANKS

The RRBs, though basically scheduled commercial banks, differ from the existing commercial banks. On the basis of the above characteristics, the points of distinction between the RRBs and the other commercial banks are as follows :-

- (i) The area of operation of RRBs is limited to a specified region comprising one or more districts in any state.
- (ii) The RRBs confine their lendings only to the weaker sections. That is, they grant loans and advances particularly to small and marginal farmers and agricultural labourers, rural artisans, small entrepreneurs and persons of small means engaged in trade and other productive activities in their area of operation.
- (iii) The lending rates of these banks are not to be higher than the prevailing lending rates of cooperative societies.

- (iv) The salary structure of the staff of RRBs is prescribed by the Central Government which correspond to the salary structure obtaining in the concerned State Government and local authorities for comparable cadres at the district level.

OBJECTIVES OF RRBs :

The main objective of the RRBs is the "provision of credit and other facilities, especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas."¹⁷ The RRBs came into existence to fill up the vast gap — both quantitative and qualitative — in the area of rural credit because the efforts of co-operative banks and nationalisation of commercial banks could not serve the purpose, i.e., they could not take the banking services to the rural masses residing in the country side. But the RRBs have not been set up as substitutes for commercial and cooperative banks. In this regard the Working Group said "the role of the new institution would be to supplement and not supplant the other institutional agencies in the field, i.e., the cooperative and commercial banks."¹⁸ The objectives¹⁹ of RRBs may, however, be discussed as detailed below :

- (1) To reach the banking facilities in the hitherto unbanked and far flung rural areas and, thus, make the rural masses aware of the banks and banking.

17. RBI Bulletin June 1976, pp. 61-63.

18. "Report of the Working Group" Reading Material Kit, p. 15.

19. Ibid., pp. 30-35.

- (ii) To eliminate regional disparities in the field of rural finance, i.e., to fill up the gap — both quantitative and qualitative — in the area of rural credit.
- (iii) To cater to the full credit needs of the small and marginal farmers, agricultural and landless labourers, artisans and small entrepreneurs in rural areas.
- (iv) To service the credit requirements of not merely individual farmers but also route their advances to potentially viable primary cooperative societies or PSCs, — existing, to be re-organised and strengthened or to be newly formed.
- (v) To examine various ways of restructuring and re-organising the productive activities of the small borrowers so as to bring them to the level of generating adequate surplus to pay for inputs, for maintenance and, later on, for re-investment for improvement in productive capacity.
- (vi) To try to organise the small borrowers into co-operation, PSCs, or even into informal groups in economic lot sizes. This will make it feasible for the banks to go to the borrowers rather than the borrowers coming to the bank. The concept of group activity and group benefit is likely to be to the advantage of both the financing rural bank and the small borrowers.
- (vii) To remove the curse of poverty in our rural areas by checking the exploitative practices of money-lenders. The practices of money-lenders can easily be checked :
 - (a) because the rural banks can meet all the credit requirements of the rural clientele even the consumption needs;
 - (b) because they can help in generating surplus income through better planned productive activities; and

(c) because they can create a negative lien on the property of such borrowers as they are meeting all the credit requirements. In this way the rural clientele are not tempted or able to seek a loan elsewhere at extortionate rates of interest from private moneylending.

(viii) To work towards a common purpose and not in conflict with one another. This aim was in the wake of the fact that RRBs were to operate in regions already covered to a more or less extent by existing branches of commercial banks, branches of central cooperative societies and PSSs. That is, duplication of functions, overlapping of activities and overfinancing of the same borrower by different institutions are to be very carefully prevented.

FUNCTIONS OF RRBs :

The Banking Commission which proposed the creation of rural banks was of the view that it should provide the special type of credit and banking facilities and other related services needed by the agriculturists. The Commission has specified the following functions of the rural banks :

- (i) To mobilize rural savings.
- (ii) To provide short term and medium term credit for agriculture and other purposes to rural producers.
- (iii) To provide long term loans to agriculturists as agents of the Land Development Banks.
- (iv) To implement credit programmes designed to cater to the needs of individual farmers.

- (v) To provide certain ancillary banking services to local people, such as remittance of funds, acceptance of insurance premia, safe deposit lockers etc.
- (vi) To set up and maintain godowns.
- (vii) To undertake the supply of agricultural inputs and equipment to the farmers.
- (viii) To provide assistance for agricultural marketing.
- (ix) To assist in the overall development of the villages in their area.

In order to perform the above functions successfully, the Commission suggested that generally it would be feasible to organise a rural bank for a compact group of villages covering a population ranging between 5,000 to 20,000.

About its functions and business, Sec. 18 of the ARBs Act, 1976 provides that every ARB shall carry on and transact the business of banking as defined in clause (b) of Sec. 5 of the Banking Regulation Act 1949, and may engage in one or more forms of business specified in sub-section (1) of Section 6 of that Act. Every ARB shall undertake the following types of business :-

- (a) Granting of loans and advances, particularly to small and marginal farmers and agricultural labourers, whether individual or in group and to cooperative societies, including agricultural marketing societies, agricultural processing societies, cooperative farming societies, primary agricultural credit societies or farmers service societies, for agricultural purposes or agricultural operations or other purposes concerned therewith.

- (b) the granting of loans and advances, particularly to artisans, small entrepreneurs and persons of small means engaged in trade, commerce or industry or other productive activities, within the notified area in relation to the RRB.

CONCESSIONS AND FACILITIES :

With a view to fulfilling the objectives for which they were established and to facilitating their successful operations in the context of catering exclusively to the weaker sections, certain concessions have been extended to RRBs somewhat on the lines enjoyed by Cooperative Banks, as briefly
21
listed below :-

- (i) Right from the inception, the RRB is included in the Second Schedule of the RBI Act which give direct access to Reserve Bank's (Now NABARD's) refinance window.
- (ii) Unlike scheduled commercial banks, RRBs are allowed to maintain a lower level of statutory liquidity, viz., 3% cash reserve and 25% liquid assets.
- (iii) As in the case of Central Cooperative Banks, they are allowed to pay 1/2% more interest on all deposits except those of three years and above.
- (iv) NABARD provides refinance at 3% below the Bank Rate, the rate being the same as charged from the cooperatives.
- (v) The sponsor banks also provide financial accommodation at a slightly concessional rate of 8.5%.

21. "Evolution of Regional Rural Banks -- Policies and Perspectives" a paper brought by BIRD 1986, pp. 9-10.

- (vi) Since the RRBs keep their liquid assets with the sponsor banks only (usually in the form of current deposits), the latter pay interest upto 9% on the former's current deposits with them. Other Scheduled Commercial Banks may also offer the same rate of interest on the current account deposits of RRBs. (As per RBI instructions it is now 0.5% less than the rate charged from RRBs on their sponsor bank advances i.e., 8% only).
- (vii) The sponsor banks meet the costs of deputed staff Chairman and other staff and the cost of training of RRBs staff in CAB or in other own training centres.
- (viii) In terms of section 22 of RRBs Act 1976, RRBs are exempted from payment of income-tax on their gains or profits as in the case of cooperatives.
- (ix) RRBs have also been exempted from the payment of interest tax as per section 23 of the Act.
- (x) NABARD meets the cost of training of RRBs officers at BIRD and at Regional Training Centres at Bolpur (Shantiniketan) and Mangalore.
- (xi) Any balance maintained by RRB in call or Fixed Deposit with its sponsor bank is also now reckoned as cash maintained in India under Sec. 24 of Banking Regulation Act 1949 i.e. for the purposes of computation of statutory Liquidity Ratio.

ORGANISATION AND MANAGEMENT OF RRBs :

Subject to the provisions of the RRBs Act, the general superintendence, direction and management of the affairs and business of the RRBs vest in the Board of Directors, consisting of 8 Directors, besides the Chairman who is at present an officer of the Sponsor Bank but appointed by the Government of India.

The Board of Directors may exercise all the powers and discharge all the functions which may be exercised or discharged by the RRB. The Central Government and sponsor bank nominate 3 Directors each and the concerned State Government nominates 2 Directors. The Chairman is required to devote his whole time to the affairs of the RRB, and subject to the superintendence, control and direction of the Board of Directors, he will look after the whole management of the RRB.

PROVISION AND CONTROL OVER WORKING OF RRBs :

The supervision and control functions in relation to RRBs which were being hitherto exercised by RBI has since been assumed by NABARD. Among the measures which enable NABARD to keep a watch over the performance of RRBs statutory inspections play an important role. NABARD undertakes periodical inspections of RRBs under the provisions of Section 35(1) of Banking Regulations Act 1949. Apart from statutory inspections which are conducted only once in two years, regular monitoring of the progress of RRBs. Particularly those banks which have developed certain undesirable features such as frauds, stagnant operations etc. is ensured by arranging studies through regional offices. Officials from H.O. also visit RRBs to study the important aspects to their functioning with a view to gearing up their performance. Working of RRBs, particularly those banks which have developed certain undesirable features such as frauds, stagnant operations etc., is also ensured by arranging studies through regional

offices. Working of RRBs is also monitored by NABARD on an on going basis through periodical returns (both statutory and non-statutory), the most important of these are quarterly progress reports which provide a capsule view of their performance. Annual balance sheet and profit and loss account statements are also carefully examined to determine their health. Proceedings of the Board of Directors are being regularly scrutinised to ensure that the law and guidelines issued by GOI/RBI/NABARD are being observed. In order to develop the closer link between NABARD and RRBs, CRAFTICARD (Shivaraman Committee) has recommended that the stake of GOI in the share holdings of RRBs be transferred to NABARD. In pursuance of these recommendations, efforts are underway to promote necessary legislation to enable NABARD to take over the shares of RRBs held by GOI. Simultaneously, certain amendments are also being proposed to RRBs Act and the Banking Regulation Act to ensure effective statutory control of NABARD over the working of RRBs.

The Board of Directors is required to act, keeping in view the public interest, according to business principles. Also the RRB in the discharge of its functions will be guided by such directions in regard to matters of policy involving public interest as the Central Government may give, after consultation with the RBI.

On the request of any bank called 'Sponsor Bank' the Central Government may establish in a State or Union Territory

one or more RRBs with such name as may be specified in the notification issued by it. The criteria generally adopted for establishment of RRBs has been as under :-

- (i) The number of additional bank offices in the district. At present the deficit in the number of offices is calculated with reference to the average population to be served by a rural office at 17000 as per 1981 Census.
- (ii) The size of the credit gap for the purpose of agricultural (crop) loans for small and marginal farmers.
- (iii) The strength of the cooperative in the district.
- (iv) Other consideration while selecting districts for establishment of RRBs are :
 - (a) high proportion of small/marginal farmers (holding upto 2 hectares);
 - (b) high proportion of agricultural labourers and SC/ST population;
 - (c) Overdues of cooperative and low level of ST loans per hectare provided by cooperatives. Preference is also given to backward districts/less advanced States.

After the RRB is established, it is required to operate within the local limits to be specified in the notification. If it is necessary a RRB might also establish branches or agencies at any place within specified locality notified by the Government.

LEGISLATION OF RRBs :

The RRBs were established on October 2, 1975 by an Ordinance promulgated by the President of India on 26th September,

1975. It was subsequently replaced by the Regional Rural Banks Act, 1976 dated February 9, 1976. Some of the provisions of the Act have already been discussed and some other important provisions of the Act are mentioned below :

Sec. 2 Definitions :

- (d) "Notified area" means the local limits, specified under sub-section (1) of Sec. 3, within which a RRB shall operate
- (h) "State Government" means :
 - (i) in relation to a RRB established in a Union Territory, the Central Government;
 - (ii) in relation to a RRB established in a State, the Government of that State.

Sec. 3. It shall be the duty of the Sponsor Bank to aid and assist the RRB, sponsored by it, by subscribing to the share capital of such RRB, recruitment and training of personnel during the first five years of the functioning of the RRB and providing such managerial and financial assistance as may be mutually agreed upon between the Sponsor Bank and the RRB.

Sec. 6. Issued Capital :

- (1) The issued capital of each RRB shall be twenty-five lakhs of rupees.
- (2) Of the capital issued by a RRB under sub-section (1), fifty per cent shall be subscribed by the Central Government, fifteen per cent by the concerned State Government and thirty-five per cent by the Sponsor Bank.

Sec. 9 Board of Directors

- (1) The Board of Directors shall consist of the Chairman appointed under sub-section (1) of Section II, and the following other members, namely :-
 - (a) not more than three directors, to be nominated by the Central Government;
 - (b) not more than two directors, to be nominated by the concerned State Government; and
 - (c) not more than three directors, to be nominated by the Sponsor Bank.
- (2) The Central Government may increase the number of members of the Board, so, however, that the number of directors does not exceed fifteen in the aggregate and also prescribe the manner in which the additional number may be filled in.

Sec. 10. Term of Office of Director :

A director (other than the Chairman) shall hold office for such period not exceeding two years, from the date when he assumes office, as the authority nominating him may specify at the time when the nomination is made, and may, on the expiry of the said period, continue to hold office until his successor has been nominated and shall also be eligible for renomination.

Sec. 11. Chairman :

- (1) The Central Government shall appoint an individual to be the Chairman of a RRB and specify the period, not exceeding five years, for which such individual shall, subject to the provisions of sub-section (4), hold office as the Chairman.
- (2) The individual, appointed as a Chairman under sub-section (1), shall, on the expiry of the period specified under that sub-section, be eligible for re-appointment.

- (4) The Central Government may, at any time, remove the Chairman from office : (Provided that no person shall be removed from his office under this sub-section, unless he has been given an opportunity of showing cause against his removal).

Sec. 13. Vacation of the Seat of Directors :

- (1) If a director (a) becomes subject to any disqualifications specified in section 12, or (b) is absent without leave of the Board for more than three consecutive meetings thereof, his seat shall thereupon become vacant.

Sec. 14. Meetings of Board :

- (2) The Chairman of the RRB shall preside over every meeting of the Board and, in his absence, such director as the Chairman may generally, or in relation to any particular meeting, authorise in his behalf shall preside, and, in the absence of both the Chairman and the director so authorised, the directors present at the meeting shall elect one from among themselves to preside over the meeting.
- (3) All questions at a meeting of the Board shall be decided by a majority of the votes of the directors present and voting, and, in case of equality of votes, the person presiding shall have a second or casting vote.
- (4) No director shall, as a director, take part in the discussion of, or vote on, any contract, loan, arrangement or proposal, entered into, by or on behalf of the RRB, if he is, in any way, whether directly or indirectly, interested in the contract, loan, arrangement or proposal and, where a director is interested in any such matter, he shall, at the earliest possible opportunity, disclose to the Board the nature of his interest in such contract, loan, arrangement or proposal, and where he does so, his presence at the meeting shall not count for the purpose of forming any quorum at the time of any such discussion or vote, and if he does vote, his

vote shall be void. Provided that nothing contained in this sub-section shall apply to such director by reason only of his being (i) a share-holder (other than a director) holding not more than two percent of the paid up capital in any public company within the meaning of the Companies Act 1956 or any corporation established by or under any law for the time being in force in India or any cooperative society, with which the RRB has entered into, or proposes to enter into, any contract, loan, arrangement or proposal, or (ii) a director of the RRB as such.

Sec. 19. Closure of Accounts :

- (4) Every auditor of a RRB shall make a report to that bank upon the annual balance-sheet and accounts and in every such report shall state :
 - (a) whether, in his opinion, the balance-sheet is full and fair balance sheet containing all necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the RRB, and, in case he had called for any explanation or information, whether it has been given and whether it is satisfactory;
 - (b) whether or not, the transactions of the RRB, which have come to his notice, have been within the powers of that bank;
 - (c) whether or not, the returns received from the offices and branches of the RRB have been found adequate for the purpose of his audit;
 - (d) whether the profit and loss accounts shows a true balance of profit or loss for the period covered by such accounts; and
 - (e) any other matter which he considers should be brought to the notice of the RRB.

Sec. 20. Annual report to be furnished to the share-holders :

Every RRB shall, within sixty days from the date of closure of its accounting year, send to each of its share-holders a report as to its working and activities during the accounting year immediately preceding together with a copy of its balance-sheet profit and loss account and the auditor's report in relation to the accounts of the said accounting year.

Sec. 25. Obligations as to fidelity and secrecy :

- (2) Every director, member of a Committee or auditor, officer or other employee of a RRB shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Schedule to this Act.

Sec. 27. Defects in appointment or Constitution not to invalidate acts or proceedings :

- (1) No act of Chairman, acting in good faith, shall be invalid merely by reason of any defect in his appointment or in the procedure.
- (2) No act or proceedings of any Board of Directors of any committee of a RRB shall be invalid merely on the ground of the existence of any vacancy in, or defect in the constitution of, such Board or Committee, as the case may be.
- (3) Acts done by a person, acting in good faith, as a director or member of a Committee of a RRB shall be valid, notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in any law for the time being in force :

Provided that nothing in this section shall be deemed to give validity to any act done by a director or a member of any committee of a RRB after his appointment has been shown to the RRB to be invalid or to have terminated.

Sec. 29. Indemnity of Directors, etc. :

- (1) A director or a member of a Committee of a RRB shall not be responsible for any loss or expense caused to such bank by insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of a RRB or by the insolvency or wrongful act of any customer or debtor or anything done in, or in relation to, the execution of the duties of his office, unless such loss, expense, insufficiency or deficiency was due to any wilful act or default on the part of such director or member.
- (2) The Chairman of a RRB and every officer of the Central Government or State Government or an officer of the Reserve Bank or the Sponsor Bank and every officer or other employee of a RRB shall be indemnified by such bank against all losses and expenses incurred by him, in relation to, the discharge of his duties except such as have been caused by his own wilful act or default.

Sec. 30. Power to make Regulations :

The Board of Directors of a RRB may, after consultation with the Sponsor Bank and the Reserve Bank, and with the previous sanction of the Central Government, make regulations, not inconsistent with the provisions of this Act and the rules made thereunder, to provide for all matters for which provision is necessary or dient for the purpose of giving effect to the provisions of this Act.

PROGRESS OF RRBs IN INDIA :

On the recommendations of the Working Group, an experiment in the rural banking was launched by the Government by establishing 5 pilot RRBs on October 2, 1975 sponsored by major banks of the country each in one of their lead districts. These pilot RRBs are : (i) Prathama Bank in Moradabad sponsored by Syndicate Bank, (ii) Gorakhpur Kshetriya Gramin Bank in Gorakhpur sponsored by the State Bank of India, both in U.P.; (iii) Haryana Kshetriya Gramin Bank in Bhiwani district of Haryana sponsored by Punjab National Bank; (iv) Jaipur Nagaur Anchali Gramin Bank for Jaipur and Nagaur districts of Rajasthan sponsored by United Commercial Bank; and (v) Gaur Gramin Bank in Gaur district of West Bengal sponsored by United Bank of India. Since then RRBs have been sponsored by various nationalised banks and now 194 RRBs have covered 343 districts(81%) out of 426 districts as on June 30, 1986.

Starting with 5 RRBs in October 1975, 40 RRBs were established by December, 1976 covering 84 districts with 489 branches. The number of RRBs and its branches have continuously been increasing and by the end of June 1986 the number of RRBs increased to 194 with 12,755 branches covering 343 districts. The following table indicates the year-wise progress of RRBs since its inception.

Table 5.1 : Phenomenal year-wise Progress of RRBs during 1976 to

(Amount in lakhs of Rupees)

Year Ended Dec.	No. of RRBs	No. of distts. covered	No. of bran- ches	Deposits	Advan- ces out- standing Amt.	C.D. ratio
1976	40	94	489	800	700	87.5
1977	48 (20)	99 (18)	1187 (143)	3300 (313)	4200 (500)	127.27
1978	51	102 (3)	1754 (48)	7400 (124)	12200 (190)	164.86
1979	60 (18)	114 (12)	2420 (38)	12300 (66)	16700 (37)	135.77
1980	85 (42)	145 (27)	3195 (32)	20600 (67)	25300 (51)	122.82
1981	107 (26)	182 (26)	4795 (50)	33600 (63)	40659 (61)	121.00
1982	124 (16)	214 (18)	6191 (29)	50226 (49)	57711 (42)	114.90
1983	150 (21)	265 (24)	7795 (26)	67785 (35)	75084 (30)	110.77
1984	173 (15)	307 (16)	10245 (31)	95995 (42)	108077 (44)	112.59
June, 1985	183 (6)	322 (5)	12139 (18)	105704 (10)	118835 (10)	112.42
Dec., 1985	188 (3)	333 (3)	12606 (4)	128582 (22)	140767 (18)	109.48
June, 1986	194	343	12755	144151	154034	106.86

Sources : 1. Information Journal : All India Regional Rural Bank Employees Association 1983, pp. 205, 215, 219.
 2. Statistics on RRBs June 1985 NABARD, Bombay, p.1.
 3. Statistics on RRBs June 1986 NABARD, Bombay, p.1.

Figs. in bracket shows the percent increase over previous year.

As on June 1985, 86 RMOs had jurisdiction of one district each, 67 RMOs had two districts each, 28 RMOs had three districts each, 9 RMOs had four districts each, one RMO had five districts, one RMO 7 districts and one RMO had 6 districts. Altogether 193 RMOs have covered in all 336 districts or 75.6% of the total number of districts.

Branch Expansion :

The RMOs have attained remarkable progress in extending their branch net work to economically backward and hitherto neglected areas. At the end of June 1986 there were 12755 branches as against 12135 in June 1985. The average number of branches per RMO were 66 and average number of branches per district were 37. It has been shown in the following table :

Table 5.2 : Year-wise average number of Branches per RMO and per District.

(Approx. Fig.)

Year December	Average no. of Branches per RMO	Average no. of Branches per district
1976	12	6
1977	25	12
1978	34	17
1979	40	21
1980	38	22
1981	45	26
1982	50	29
1983	52	29
1984	53	33
June, 1985	64	33
Dec., 1985	67	35
June, 1986	66	37

Source : Based on Table 5.1.

Out of the total ARBs the contribution of the first 5 is significant. Prathana Sank has 160 branches, Maryana Kshetriya Graman Sank 81 branches, Jaipur, Megaur Pochalik Graman Sank 140 branches, Gaur Gramin Sank 115 branches and Gorakhpur Kshetriya Gramin Sank 192 branches as on December 31, 1985.²² In the opening of branches, the ARBs are given preference. "As per the accepted Branch Licencing Policy (BLP), the ARBs are given preference in the opening of branches in rural and semi-urban centres in the districts where they are functioning. This preferential treatment continued in the new policy adopted by RBI for the year 1982-83. The policy of RBI envisaged the coverage of 17,000 population per branch office in the rural and semi-urban areas on the basis of 1981 census."²³ In the light of this policy, the Branch Expansion Programme (BEP) of ARBs should plan to reach a target of at least 8200 branches at the end of March, 1985, but the number of branches increased over the target.

Deposit Mobilisation :

The total deposits of 194 ARBs as on June 1986 aggregated Rs. 144351 lakhs in 17356066 accounts giving an average of Rs. 820.19 per deposit account. The average deposit per ARB amounted to Rs. 744.03 lakhs and the average deposit per branch worked out to Rs. 11.32 lakhs. The following table presents the average deposits per ARB and per branch.

22. The Economic Times, New Delhi, Thursday Oct. 2, 1986, p. 4.

23. Reading Material Kit Chapter 2, p. 4.

Table 5.3 : Year-wise Average Deposits per RRB and per Branch.

(Amt. in Lakhs of Rs.)

Year at the end of	Average Deposit per RRB	Average Deposit per Branch
Dec., 1976	20.00	1.54
1977	68.75	2.78
1978	145.10	4.22
1979	205.00	3.95
1980	242.35	5.45
1981	314.02	7.01
1982	403.35	8.11
1983	451.90	9.70
1984	554.93	9.37
June, 1985	577.50	8.71
Dec., 1985	693.95	10.20
June, 1986	744.08	11.32

Source : Based on Table 5.1.

Apart from the above figures shown in table 5.3, there are, however, wide variations in the performance of the RRBs from bank to bank. Out of the total deposits, the savings bank deposit accounts formed the bulk of deposits in RRBs. The break up of deposits according to types available have been shown in the following table for five years :

Table 5.4 : Year-wise break-up of deposits of RRBs.

(Amount in lakhs of Rupees)

Year ended December	DEPOSITS			Total
	Current A/c	Savings bank	Others	
	Amount	A/c Amount	Amount	Amount
1981	2778.88 (8.27)	19243.29 (57.30)	11565.11 (34.43)	33587.28 (100)
1982	4095.20 (9.06)	29264.00 (57.55)	17490.27 (34.39)	50856.15 (100)
1983	6551.58 (9.35)	37472.64 (54.67)	24520.00 (35.77)	68544.22 (100)
1984	7665.67 (9.03)	54595.04 (57.19)	33201.92 (34.78)	95462.63 (100)
(1985)	N.A.	N.A.	N.A.	128592
June, 1986	N.A.	N.A.	N.A.	144351.26

Sources : 1. Statistics on RRBs MABARD, Bombay June 1985,
p. 64.

2. Fig. in bracket shows the percentage to total.

Loans Operations :

As at the end of June 1985, 183 RRBs had a total outstanding loans of about Rs. 118934.83 lakhs spread over 6298118 borrowal accounts, the average being Rs. 0.02 lakh per account. The average advances per branch amounted to Rs. 9.79 lakhs and the average advances per RRB worked to Rs. 649.35 lakhs. It has been shown in table 5.5 on the next page.

Table 5.3 : Year-wise Advances per RRI and Per Branch.

(Amount in Lakhs of Rupees)

	Av. Advance ₹/s per RRI	Av. ₹/s per Branch
1975	17.50	1.43
1977	87.50	3.54
1978	239.22	6.56
1979	373.33	6.90
1980	297.65	7.92
1981	379.99	8.46
1982	465.41	9.32
1983	500.56	9.63
1984	524.73	10.55
June, 1985	546.37	9.79
Dec., 1985	742.75	11.17
June, 1986	793.99	12.08

Source : Based on table 5.1.

Out of the total advances most of the amounts have been advanced to agriculture and Retail trade, small business and self-employed. The purpose-wise classification of advances (out-standings) of RRIs are shown in table 5.6. The break up of the advances available shows that at the end of June, 1985 there was a total of Rs. 115802.5 lakhs direct advances (i.e. P.F. (crop) loans, Term loans, rural artisans, village and cottage industries

Retail trade, small business, self employed, consumption loans and other purposes) while indirect loans advanced through PACs and FSCs worked out to Rs. 3032.33 lakhs spread over to 66,200 A/cs. This amount of indirect advance is only 2.55 per cent of the total advances of the PACs.

Table 5.6 : The Break-up of advances of PACs as at the end of June 1985 and June 1986.

Purpose	At the end of	
	June, 1985	June, 1986
I - Direct Advances :		
1. Crop Loans	20610.41 (17.34)	23618.41 (17.22)
2. Farm loans :		
Agr. Investment	27797.12 (23.39)	34302.61 (22.27)
Allied Activities	20931.49 (17.63)	26215.55 (17.07)
3. Rural Artisans, Village & Cottage Industries	6911.71 (5.92)	9009.24 (5.84)
4. Retail Trade/Small business & Self employed	30334.82	41758.07
5. Consumption Loans	753.00 (0.63)	1279.24 (0.83)
6. Other purposes	8461.95 (7.12)	11543.65 (7.50)
XI - Indirect Advances	3032.33 (2.55)	3334.20 (2.17)
Total Advances (100)	115334.83 (100)	154033.93 (100)

Sources : 1. Stat. on loans June 1985, pp. 18-19.

2. " " June 1986, pp. 22-23.

3. Fig. in bracket shows the percentage to total.

The above table shows that out of the loans outstanding 56.56% were to small and marginal farmers and landless labourers, 5.94% to rural artisans and village and cottage industries. Loans for consumption purposes given to about 106106 borrowal accounts were only 0.83 per cent as at the end of June 1986. Thus, the main account is on lending for productive purposes.

Credit Deposit Ratio :

"Deployment of local resources for development of agriculture in the jurisdiction of each RBI is one of the key features in the scheme of rural banks. The performance of the RBIs in this respect can be judged with reference to their credit deposit ratios." ²⁴ The C.D. ratio of the RBIs as on June 1985 was about ²⁵ 113 per cent while it was only 55.6 per cent for the rural branches of the commercial banks on the same date. Comparing it, the RBI's C.D. ratio is highly favourable. The C.D. ratio above 100 indicates that the banks deployed in their areas more resources than those collected by way of deposits in those areas. "How many banks have deployed more resources than their collection and how many less than their collection" are shown here in the table given on the next page.

24. Report of the Review Committee, RBI, Bombay, 1978, p. 36.

25. The Economics Times New Delhi Thursday Jan. 1, 1987, p. 1.

Table S.7 : C.D. Ratio of the RBS as on June 1985.
June, 1986.

C.D. Ratio (Range) (Percent)	No. of RBS as at the end of	
	June, 1985	June, 1986
Below 50	39	32
50 - 100	71	66
100-150	36	40
150- 200	17	23
200- 250	17	6
250 and above	<u>3</u>	<u>1</u>
Total	193	199 + 4*

*such banks which have no C.D. Ratio as they were established in 1986. They are Vidisha Shop at Trichi Gramin Bank (31.03.86); Dhane Gramin Bank (30.03.86); Parikot Chhatinda Gramin Bank (22.3.86); and Vallalar Gramin Bank (Rajasthan) (19.6.1986).

Source : 1. Statistics on RBSs SAGARD Bombay June 1985
pp. 4-5.

2. Statistics on RBSs SAGARD, Bombay June 1986
pp. 4-8.

The above table shows that as on June 30, 1985, out of 193 RBSs, 73 RBSs deployed in their areas more resources than those collected by way of deposits in those areas.

Recovery Performance :

The available information in respect of 193 RBSs as at the end of June 1985 shows that overduns stood at Rs. 27849.36

lakh spread over to 1986619 borrowal accounts. This amount of overdues formed nearly 23.4 per cent of their loans outstanding at Rs. 118034.33 lakhs.²⁶ The percentage overdues to advances (outstanding) as at the end of December 1984 was 24.7% (overdues Rs. 267.40 crores) of their total loans outstanding at Rs. 1080.77 crores. As at the end of June 1984 the overdues formed 49.97%.²⁷ It means that the recovery performance of the RRBs is improving. The deposits, advances, overdues and C.D. ratio etc. of each of all the RRBs may be seen in Annexure 5.1

Personnel :

According to the RRB Act 1976, the RRB is empowered to appoint such number of officers and other employees as are necessary for efficient performance of its functions. As at the end of June 1985, 193 RRBs employed 422223 staff comprising 21827 officers, 20173 clerks and 225 subordinates. Besides, 1012 officers and clerks (i.e. 908 and 204 officers and clerks respectively) were deputed to the RRBs by the Sponsor Banks. The number of officers and clerks belonging to S.S. and S.D. were 6580 and the trained staff were 29731 out of the total staff recruited by RRBs.²⁸

26. Statistics on RRBs June 1985, p. 9.

27. Reading Material Kit Chapter 2.

28. Statistics on RRBs June 1985, p. 75.

The position of staff in RRBs is shown through the following table :

Table 5.8 : Position of staff in Different categories in RRBs.

RRBs staff	June 1984	Dec. 1984	June 1985	Dec. 1985	June, 1986
Officers	15707	19951	21327		23692
Clerks	15554	17469	20173		22055
Subordinates	169	190	225		384
Total	31430	35610	42225		46131
Of which SC/ST	4203	5307	6580		7628
Total trained	21007	25221	29721		36693
<u>Sponsor Bank's Staff</u>					
Officers	627	705	808		621
Clerks	173	197	204		74
Total	800	902	1012		695

Source : "Evolution of RRBs : Policies and Perspectives"
A paper brought by BIRD, Lucknow, 1986, p. 14.

Statistics on RRBs June 1986, p. 28.

The staff recruited by RRBs are generally inexperienced and, therefore, arrangements for their training is an urgent task. RRBs generally depend on their sponsor banks for training facilities for their staff. Most of the sponsor banks arrange for

training programme for the newly recruited staff of their RRBs. Some of the older RRBs have set up their own training establishments. Arrangements have been made with CWT, Pune to conduct training programme for branch managers of RRBs. It was, however, found that all the existing facilities together with the establishment of more and more RRBs had greatly accentuated the problem. Out of 42 thousand officers and clerks in RRBs as on June 30, 1985 about 30 thousand, i.e. 71% had received training. NABARD had set up a Committee on Training in Rural Development through credit. One of the terms of reference of the Committee was to study and recommend the type of courses and training and their contents to develop branch manager and other staff of RRBs or rural bankers with a view to making them effective change agents for rural development. SBI has set up its National level Training Institute, viz., NIT at Lucknow and Regional Training Centres at Bhopal (Shantiniketan) and Bangalore).

Implementation of State Sponsored Programmes :

The RRBs are playing a vital role in implementing various poverty alleviation programmes sponsored by the State. In implementing different programmes, the RRBs not only advanced its own resources but also the refinance available to it by NABARD, sponsor bank and other institutions. Total refinance to RRBs as at the end of December, 1981, 1982, 1983 and 1984 was Rs. 21774.79 lakhs; Rs. 34510.49 lakhs, Rs. 45811.32 lakhs; and Rs. 52692.21 lakhs respectively. As at the end of December 1984 the refinance from

ASBARD was Rs. 45232.44 lakhs from government bank Rs. 15541.04 lakhs²⁹ and from other institutions it was Rs. 316.73 lakhs.

Working Results :

The working results of RSBs as at the end of December 1984 indicated that as against 173 RSBs 49 showed profits while the total profits earned by RSBs during 1984 aggregated Rs. 318.33 lakhs as compared to Rs. 217.90 lakhs at the end of 1983, the total amount of losses sustained by all RSBs during 1984 was Rs. 1565.20 lakhs as against Rs. 103.30 lakhs for the year ended 1983. The accumulated losses as on 31.12.1984 aggregated³⁰ Rs. 3171.56 lakhs.

From the above discussion it is clear that by and large the RSBs are going in the right direction for fulfilling the objectives for which they were established and are being established. The performance of all the banks, however, varies in many respects. But the over all performance is good.

The Review Committee on RSBs (Bantwale Committee) which was set up by the RBI in 1977 to evaluate, inter alia, the performance of the RSBs, after a detailed examination had opined that the performance of the banks within the time constraint was good judged both by quantitative and qualitative tests such

29. Ibid., p. 65.

30. Ibid., p. 70.

as branch expansion, lending operations and mobilization of deposits. In the deployment of credit it was observed by the Committee that the AIs performance was superior when compared with the rural branches of commercial banks. Still the performance of the AIs is far better.

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POLICY RELATING TO OPENING OF NEW BRANCHES 1985-1990.

After having a look on the overall performance of the AIs, the light may also be focused on their perspective. The present policy in regard to opening of branches is to aim at a coverage of one bank office for a population of 17000 in rural and semi urban areas in each block on the basis of 1981 Census by the end of March, 1990. The expansion programme will be implemented in two phases, the first phase covering the period from April 1985 to March 1988 and the second phase from April 1988 to March, 1990. The AIs will have to play a significant part in the opening of branches at the rural and semi-urban centres in the context of the role of these banks in financing the rural sector wherever they are established/proposed to be covered by AIs, the centres identified for banks establishment will primarily be allocated/reserved to the AIs concerned. However, in the districts where the AIs are yet to be established, commercial banks will be allotted centres on the basis of their representation in the district/area.

31. "Evolution of AIs - Policies and Perspectives" Paper published by BIRD, Lucknow, (year), pp. 11-12.

CHAPTER VI

WORKING OF NATIONAL RURAL BANKS IN

INDIAN COUNTRY

AS CONCERNED WITH SUBSIDIARY CREDIT

In this chapter the performance of each of the RRBs in Eastern Uttar Pradesh is being assessed keeping in view the objectives for which they were established. The objectives of RRBs have already been mentioned in the previous chapter. The performance of RRBs of Eastern Uttar Pradesh has also been compared with all the RRBs of rest of Uttar Pradesh and Uttar Pradesh as a whole and for this purpose, the progress of all the RRBs of the State has been shown in this chapter.

There are thirteen RRBs in 15 districts of Eastern Uttar Pradesh. Out of which there are only two RRBs, each having jurisdiction over 2 districts; and the remaining banks cover one district each. Besides, there are 25 more banks covering 36 more districts of Uttar Pradesh. It means that there are 6 districts where the RRBs have not been established till the end of June 1986. The following table shows the name of the RRBs in Eastern Uttar Pradesh along with the dates of their establishment, the number and names of the districts covered and names of their sponsor bank.

Table 6.1 : Evolution of the GRBs in Eastern Uttar Pradesh

1. S. no. of the no.	2. Name of the GRBs	According to Seniority			6. Name of the sponsor Bank
		3. Date of Estab- lishment	4. no. of distts. covered	5. S. no. of Sponsor- tion Districts	
1.	Gorakhpur Ksh. Gr. Bank.	2- 10-1975	2	Gorakhpur Deoria	State Bank of India.
2.	Sanyut Ksh. Gr. Bank	6- 1- 1976	2	Azamgarh Chazipur	Union Bank of India.
3.	Ballia Ks. Gr. Bank	25-12-1976	1	Ballia	Central Bank of India
4.	Sultanpur Ksh. Gr. Bank	8- 2- 1977	1	Sultanpur	Bank of Baroda
5.	Saraswati Gr. Bank	4- 3- 1980	1	Bahraich	Allahabad Bank
6.	Kashi Gr. Bank	28- 7- 1980	1	Varanasi	Union Bank of India.
7.	Basti Gr. Bank	1- 8- 1980	1	Basti	State Bank of India.
8.	Allahabad Ksh. Gr. Bank	23- 8-1980	1	Allahabad	Bank of Baroda
9.	Pratapgarh Ksh. Gr. Bank	25- 8-1980	1	Pratapgarh	Bank of Baroda
10.	Faizabad Ksh. Gr. Bank	5- 9- 1980	1	Faizabad	Bank of Baroda
11.	Devi Patan Ksh. Gr. Bank	17- 1-1981	1	Gonda	Punjab National Bank
12.	Conti Gr. Bank	30- 3-1981	1	Jaunpur	Union Bank of India
13.	Vindhyavasini Gr. Bank	30- 3-1983	1	Mirzapur	Allahabad Bank
Eastern U.P.		13	15		
Rest of U.P.		26	36		
All India		199	351		

Source : Statistics on Regional Rural Banks, June, 1986, National Bank for Agriculture and Rural Development, Bombay, pp. 7 & 8.
Ksh. = Kshetriya; Gr. = Gramin.

From the above table, it is clear that out of 13 RRBs of Eastern Uttar Pradesh, only 4 RRBs have completed one decade or more of their working while the remaining 9 RRBs have not yet completed even a decade. The latest RRB in Eastern Uttar Pradesh is Vinodhyavasini Gramin Bank which has completed only 4 years.

The total area of the State of Uttar Pradesh as per 1981 Census is 2.94 lakh sq. km. and the population is 1108.62 lakhs. 13 RRBs, of eastern Uttar Pradesh, i.e., 34.2% of the total RRBs in U.P. cover an area of 85637 (0.96 lakhs) sq. km. which is 29.09% of the total area of U.P. and Eastern U.P.'s population of 416.52 lakhs ^{which} is 37.57% of the total population of Uttar Pradesh is being benefitted by the 13 RRBs.

Here an attempt is being made to evaluate the performance of individual RRB of Eastern U.P. and their performance as a whole is compared with that of All Uttar Pradesh. There are considerable differences of opinion about the criteria by which the performance of banking industry, being a service organisation, can be assessed. The parameters normally used are (i) total number of branches; (ii) deposits; (iii) advances; (iv) overdues; (v) credit-deposit ratio; and (vi) simply the profit and loss; etc. The scheme of RRBs in India was launched in October, 1975 and after a short period of one year and nine months, the RBI had appointed on June 23, 1977 a Committee, under the Chairmanship of Professor M.L. Dantwala, to review the working of the

RABs. The Review Committee, popularly known as Santwala Committee assessed the performance of the RABs with reference to (i) suitability of location of the RABs; (ii) spread of banking facilities; (iii) deposit mobilization; (iv) credit surveyed; (v) credit-deposit ratio and funds position; (vi) recovery performance; (vii) quality of lending; (viii) management; and (ix) financial viability.¹

To assess the working of the RABs in Eastern Uttar Pradesh, the following parameters, similar to the yardsticks adopted by the Santwala Committee, are being taken here :

1. Branch Expansion
2. Deposit Mobilisation
3. Credit Deployment
4. Credit Deposit Ratio
5. Recovery Performance
6. Quality of Lending
7. Re-finance and Borrowings.
8. Reserves and surplus
9. Management of RABs
10. Financial Viability.

1. BRANCH EXPANSION :

One of the objectives underlying the scheme of RABs is the spread of banking facilities to remote areas particularly to

1. Report of the Review Committee, RAI, Bombay, 1978, p. 39.

hitherto unbanked and underbanked centres. All the RRBs in Eastern U.P. have done well to achieving this end.² Through their branches at such remote centres, the RRBs since their establishment have been serving the most downtrodden, hitherto forgotten segment of Indian rural community.³ The Steering Committee appointed by the Government of India to guide the implementation of the RRB scheme has laid down the following criteria for the location of RRBs :

- (i) where the commercial and cooperative banks credit support was inadequate and credit gaps were large;
- (ii) where the weaker section was large in number; and
- (iii) where the agricultural development potential was good.

The Eastern Region of U.P. is itself a rural and backward area having good agricultural development potential where majority of the population belongs to weaker section and where commercial and cooperative credit support has been quite inadequate. There are 13 RRBs in Eastern U.P. and every RRB, since its establishment, has been making constant efforts in increasing the number of branches and it is worth adding that these branches are being expanded to the far flung rural unbanked areas. The bank-wise branches of RRBs for the last three years in Eastern Uttar Pradesh have been shown in the following table :

2. "Report on Trend and Progress of Banking in India 1984-85, RBI, Bombay, p. 68.

3. Singh, Manmohan in his inaugural address to the First Conference of the Chairmen of RRBs Proceedings of the Conference, NABARD 1982, p. 102.

Table 6.2 : Year and Bank-wise Branches of RRBs in Eastern Uttar Pradesh as at the end of

Sl. No.	Name of the RRBs	Years		
		December 1984	June, 1985	June, 1986
1.	Gorakhpur Ksh. Gr. Bank	175	188	192
2.	Samyut Ksh. Gr. Bank	137	154	154
3.	Ballia Ksh. Gr. Bank	73	82	82
4.	Sultanpur Ksh. Gr. Bank	75	86	89
5.	Saraswati Gr. Bank	80	85	85
6.	Kashi Gr. Bank	62	76	79
7.	Basti Gr. Bank	77	89	89
8.	Allahabad Ksh. Gr. Bank	53	67	67
9.	Pratapgarh Ksh. Gr. Bank	59	66	68
10.	Faizabad Ksh. Gr. Bank	44	61	62
11.	Devi Patan Ksh. Gr. Bank	54	63	67
12.	Gomti Gr. Bank	60	78	78
13.	Vindhyavasini Gr. Bank	31	37	39
Eastern Uttar Pradesh		980 (13)	1132 (13)	1151 (13)
Rest of Uttar Pradesh		1267 (23)	1556 (25)	1616 (26)
All Uttar Pradesh		2247 (36)	2688 (38)	2767 (39)
All India		10245 (173)	12139 (183)	12775 (195)

Source : Statistics on RRBs Dec. 1984, June 1985, June 1986, NABARD, Bombay.

Figures in brackets show the number of RRBs.

N.B. : All the figures relating to the RRBs have been drawn from the "Statistics on Regional Rural Banks" unless other sources are expressly mentioned.

From the above table, we find that the average of branches per RRB in Eastern Uttar Pradesh as at the end of June 1986 is 80 which is greater than that of rest of Uttar Pradesh (62 branches per RRB), All Uttar Pradesh (71 branches per RRB) and All India (65 branches per RRB). The average number of branches per district in Eastern U.P. comes to 77. The districts where the number of branches is below the average are Gorakhpur, Allahabad, Pratapgarh, Faizabad, Gonda and Mirzapur.

The first two banks in table 6.2 cover two districts each. The district-wise branches of these two RRBs are shown through the following table :

Table 6.3 : Year and district-wise branches of Gorakhpur Kshetriya Gramin Bank and Samyut Kshetriya Gramin Bank as at the end of

Name of the RRB	Name of the districts	Years			
		Dec. 1983	Dec. 1984	Dec. 1985	Dec. 1986
1. Gorakhpur Kshetriya Gramin Bank	Gorakhpur	73	92	92	92
	Deoria	72	83	100	100
	Total	145	175	192	192
2. Samyut Kshetriya Gramin Bank	Azamgarh	75	77	87	87
	Ghazipur	48	60	67	67
	Total	123	137	154	154

Source : Various Annual Reports of Gorakhpur and Azamgarh RRBs.

The RRBs have been expanding their branches so rapidly that the aim of covering a population of 17,000 per bank office in rural and semi-urban areas on the basis of 1981 Census by the end of March 1990 will be attained before time. It is so because the population (both rural and urban) per bank office (taking all scheduled commercial banks) at the end of September 1986 in Eastern Uttar Pradesh; Uttar Pradesh and India was 37.49; 15.12 and 12.77 thousand respectively.

So far as the coverage of population per branch of RRB is concerned, the average population per branch in Eastern U.P. is 36,197 while it is 40,066 for all Uttar Pradesh as per Census of 1981. The average area covered by each branch of RRB in Eastern Uttar Pradesh is 74.40 sq. km. while it is 106.40 sq. km. per branch in Uttar Pradesh. The following table shows the coverage of population and area per branch of RRB.

Table 6.4 : Population and area covered per branch of RRB in Eastern Uttar Pradesh as per Census of 1981.

Sl. No.	Name of the RRBs	No. of branches at the end of June, 86'	Per Branch	
			Population (in thou- sand)	Area Sq. Km.
1.	Gorakhpur Ksh. Gr. Bank	192	37.99	61.03
2.	Sampriti Ksh. Gr. Bank	154	35.64	59.16
3.	Ballia Ksh. Gr. Bank	82	23.72	38.89
4.	Sultanpur Ksh. Gr. Bank	89	22.96	49.84
5.	Saraswati Gr. Bank	85	26.07	80.91
6.	Kashi Gr. Bank	79	46.85	64.44
7.	Basti Gr. Bank	89	40.20	81.21
8.	Allahabad Ksh. Gr. Bank	67	56.67	108.37
9.	Pratapgarh Ksh. Gr. Bank	68	26.49	54.66
10.	Faizabad Ksh. Gr. Bank	62	38.44	72.76
11.	Devi Potan Ksh. Gr. Bank	67	42.31	109.73
12.	Gomti Gr. Bank	78	32.47	51.77
13.	Vidhyavasini Gr. Bank	30	52.23	290.00
Eastern U.P.		1151	36.19	74.40
All Uttar Pradesh		2767	40.07	106.40

Source : Based on tables 4.1 and 6.2.

In the 4th chapter we have seen that the total number of branches of all the scheduled commercial banks in Eastern Uttar Pradesh as at the end of September 1985 was 2,391 and the population covered per bank office as per census of 1981 was 17.49 thousand. If the number of RRB offices is excluded from the total number of branches (assuming that during three months from June 1986 to September 1986, there was no increase in the branches of RRBs) we find the per branch population is 33.86 thousand. The population covered per branch of RRBs is compared with that of all the scheduled commercial banks in Eastern Uttar Pradesh through the table given on the next page :

Table 6.5 : District-wise Rural Population covered per branch of RRBs and compared with that of All Scheduled Commercial Banks as per Census of 1981.

(Fig. in thousands)

Sl. no.	Name of the districts	Population per branch of RRB as at the end of 1986.	Population per branch of All Scheduled Commercial Banks as at the end of September 1986 (assuming no change in the number of branches of RRBs during three months)	
			Taking total population	Taking only Rural population
			Including RRBs	Excluding RRBs
1.	Allahabad	56.67	17.03	24.34
2.	Azamgarh	40.74	17.81	31.64
3.	Ballia	23.72	16.07	49.87
4.	Basti	40.20	23.70	57.71
5.	Bahraich	26.07	17.31	51.53
6.	Deoria	34.97	21.19	53.80
7.	Faizabad	38.44	18.19	34.54
8.	Ghazipur	29.03	14.73	29.92
9.	Gonda	42.31	21.64	44.30
10.	Gorakhpur	41.26	17.49	30.37
11.	Jaunpur	32.47	16.13	32.06
12.	Mirzapur	52.28	14.99	21.02
13.	Pratapgarh	26.49	17.49	51.46
14.	Sultanpur	22.96	17.77	78.58
15.	Varanasi	46.85	13.61	19.18
Eastern U.P.		36.19	17.49	33.86
Rest of U.P.		42.83	15.08	20.75
All U.P.		40.07	15.12	24.29

Source : Based on tables 4.2, 4.3, 4.11, 6.2, 6.3 and 6.4.

From the above table we find that as per Census of 1981 the average population covered per branch of RRBs is greater than the population covered per branch of all scheduled commercial banks excluding the RRBs when the RRB branches are included in scheduled commercial banks, the average of the population coverage is reduced by about 50 per cent. For example, when the RRB branches are excluded, the population covered per branch in Eastern U.P. is 33.86 thousand and when the RRB branches are included this figure comes to 17.49 thousand. Similarly, besides the region and the State, there are much variations between these two figures at the district level. It may, therefore, be concluded that the RRBs have reduced the burden of population per branch. The above table bears a clear testimony to the fact that RRBs have reduced the regional disparities in terms of banking facilities. So the performance of RRBs in terms of branch expansion is satisfactory and laudable when compared to that of other scheduled commercial banks. The performance of RRBs in terms of branch expansion is also satisfactory because :-

- (a) Most of the RRB branches have been opened in remote rural areas to cover the weaker section of the society. Only a few branches are in semi-urban areas and a negligible number of branches are in urban areas while other scheduled commercial banks have opened sufficient number of branches in urban and semi-urban areas also.

(b) Most of the centres at which the RRBs have opened their branches are so small that if the commercial banks open their offices, the branches may not break even for a long time as their overheads are high.

(c) Mere opening of branches in rural areas does not serve the purpose of reaching the benefits of banking there. These are the branches of RRBs which have been extending the banking facilities, in real sense, to the neglected sectors.

If on the same criterion i.e., the branch expansion, the performance of individual RRB of Eastern U.P. is judged and compared with other RRBs of the same age, then also the performance of every RRB of this region is found satisfactory. For example, the performance of the Gorakhpur Kshetriya Gramin Bank which is one of the five oldest RRBs of the country, when compared with other four RRBs of its age is found the best because among those five RRBs the Gorakhpur Kshetriya Gramin Bank has the maximum number of branches as at the end of June 1986. The year-wise branches of these five RRBs have been shown vide table 6.6.

Table 6.5 : Year-wise branches of First Five RRBs set up on October 2, 1975.

Sl. Number	Name of the RRBs	State	as at the end of		
			Dec. 1984	June, 1985	June, 1986
1.	Gorakhpur Ksh. Gr. Bank	U.P.	175	188	192
2.	Prathama Bank	U.P.	149	160	162
3.	Jaipur Nagaur Auch. Gr. Bank	Rajasthan	123	140	140
4.	Haryana Ksh. Gr. Bank	Haryana	81	81	81
5.	Gaur Gramin Bank	W. Bengal	81	116	125

Like Gorakhpur Kshetriya Gramin Bank the performance of other RRBs of Eastern U.P. except Samyut Kshetriya Gramin Bank, Azamgarh and Vinohyavasini Gramin Bank, Mirzapur, when compared with other RRBs of the State and of the same period, is found satisfactory. Yet the performance is not as satisfactory as it should have been because :-

1. the very objective of the scheme of RRBs to make the weaker sections of the society free from the clutches of money lenders has been defeated due to lack of infra-structural facilities in the villages. In other words, the efforts to curb the exploitative practices of money lenders, have created a new problem for the weaker sections particularly the rural artisans. Before the establishment of RRBs, the artisans and other rural folks used to borrow from money lenders at a very high rate of interest. They were usually forced by the money lenders to accept less than remunerative price for their produce. In spite of all these, the money lenders used to meet the financial requirements of such borrowers by financing them as and when demanded whether for consumption purposes or for meeting social obligations. Now the RRBs, are financing them at lower rate of interest but they do not purchase their products, and hence marketing is an added problem for them. The productive finance is then naturally utilised as consumption loan. Due to lack of infra-structural facilities, the produce is hardly taken to

the main markets leading to the deterioration in the capital. They can not further borrow from the Bank as they have not repaid. And further, they can not go to the money lenders as their old relation has been snapped. And as a result, some of the persons belonging to weaker sections have actually become worn off.

In order to overcome this problem (i) the government should provide the basic infra-structural facilities in the villages; and (ii) support prices for handicrafts and artisans' other products should be announced by the government. For this a specialised agency may be set up.

2. at various places the branches of a commercial bank, even the sponsor bank, and a RAB co-exist. At such places the business of the RAB is affected because of the presence of the commercial bank. Rural centres must be allotted only to the RABs and the business of rural branches of commercial banks, already in existence, must be transferred to the RABs.

2. DEPOSIT MOBILISATION :

The total deposits of all the RABs of Eastern Uttar Pradesh amounted to Rs. 18,950.54 lakhs in 17,68,748 accounts at the end of June 1986, and it works out to Rs. 1467.73 lakhs per RAB and Rs. 15.45 lakhs per branch and Rs. 1071.25 per account. In this regard there is wide variation among different RABs and also among

different branches of the same. ^{RRB} RRB Gorakhpur, Samyut, Ballia and Sultanpur Kshetriya Gramin Banks had deposits above the per RRB average deposit of Rs. 1457.73 lakhs while the remaining nine RRBs of this region had less than the average, the main reason being the difference in their ages. The following table shows the deposits per RRB and average deposit per branch.

Table 6.7 : Deposits of Regional Rural Banks in Eastern Uttar Pradesh as at the end of

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	June 1985	June 1986	Growth rate of deposit in percentage			Average deposit per branch
				Dec. 1984	June 1985	June 1985-1986	
		Amount	Amount				
1.	Gorakhpur Ksh. Grm. Bank	4471.27	5618.36		25.65	29.26	
2.	Samyut Ksh. Gr. Bank	2853.11	3700.01		29.68	24.03	
3.	Ballia Ksh. Gr. Bank	1270.79	1739.17		36.96	21.21	
4.	Sultanpur Ksh. Gr. Bank	1471.47	1808.84		22.93	20.32	
5.	Saraswati Gr. Bank	522.36	793.05		51.82	9.33	
6.	Kashi Gramin Bank	549.29	797.94		45.27	10.10	
7.	Basti Gramin Bank	665.00	1027.00		54.44	11.54	
8.	Allahabad Ksh. Gr. Bank	665.77	565.77		-	8.44	
9.	Pratapgarh Ksh. Gr. Bank	483.52	699.84		44.74	10.29	
10.	Faizabad Ksh. Gr. Bank	281.83	576.69		104.62	9.30	
11.	Devi Patan Ksh. Gr. Bank	365.25	605.47		65.76	9.04	
12.	Gomti Gramin Bank	593.14	745.95		25.76	9.56	
13.	Vindhyavasini Gr. Bank	140.00	272.43		94.59	6.99	
Eastern Uttar Pradesh		14232.80 (51.88)	18950.62 (51.43)		23.15	16.46	
Rest of Uttar Pradesh		13201.13 (48.12)	17096.13 (48.57)		35.57	11.07	
All Uttar Pradesh		27433.93	36046.65		34.31	13.32	
All India		105704.37	144351.36		36.56	11.32	

Figs. in brackets show the percentage to total R.R.B.

The above table reveals that the performance of all the RRBs in Eastern Uttar Pradesh in the matter of deposit mobilisation, is satisfactory as compared to that of All Uttar Pradesh because the total deposits in Eastern Uttar Pradesh as on June 30, 1986 constituted 51.43 per cent of total deposits in whole Uttar Pradesh while only 33.33 per cent of total RRBs of U.P. are in this region.

The average deposit per branch in Eastern Uttar Pradesh as at the end of June 1986 is Rs. 15.46 lakhs which is more than that of All Uttar Pradesh viz. 13.32 lakhs and All India (Rs. 11.32 lakhs). In the foregoing section of this chapter we have seen that the performance of all the RRBs of Eastern Uttar Pradesh with regard to branch expansion as compared with other RRBs, has been better in the sense that every RRB of the region except Samyut Kshetriya Granth Bank, Azamgarh and Vinodhavasini Granth Bank, Mirzapur, till the end of June 1986, opened more branches than that other RRBs of their ages old.

Taking the deposits per RRB of Eastern Region and comparing it with the All Uttar Pradesh and All India level, the performance of the RRBs in Eastern Uttar Pradesh is found satisfactory. The average deposit per RRB in Eastern Uttar Pradesh as at the end of June 1986, was Rs. 1457.73 lakhs while this figure for All Uttar Pradesh was Rs. 944.79 lakhs and for all India Rs. 744.03 lakhs.

The deposit in a bank is affected by variety of reasons, namely (a) the personal contacts and relations of the staff with

local people; (b) quality of service to the customers; (c) the income pattern of the people; (d) rate of interest on deposits; and (e) the various incentive schemes for depositors. It is an undisputed fact that the Eastern Region is agricultural in nature and backward from many angles. The per capita income in this region will automatically be lesser than All Uttar Pradesh and All India. So far rate of interest on deposits is concerned, it is applicable in all the RRBs. The scheme of gifts for attracting deposits has not been introduced so far by the RRBs. The per RRB average deposits in the Eastern Uttar Pradesh being the highest in volume reflects the commendable efforts made by the staff in the matter of deposit mobilisation, and this is worth emulating by the RRBs of other regions.

When the RRBs were established, the government's expectation, though no specific directive was issued, was that each RRB would collect deposits of about Rs. 100 lakhs in every first year after commencement of working.⁴ Table 6.8 shows that every RRB except Vinhyavasini Gramin Bank of the region, has an average deposit of more than Rs. 100 lakh per year. Considered from this point of view, the performance of these RRBs is really impressive.

So far as the growth rate of deposit is concerned, the RRBs of Eastern U.P. are slightly left behind by the All Uttar

4. Report of the Review Committee, op.cit., p. 44.

Pradesh and All India RRBs. The growth rate of deposit in the region in June 1986 over the last year was 33.15 per cent which is slightly less than that for All Uttar Pradesh (34.31 per cent) and for All India (35.56 per cent). It is seen that when the new banks are established and their branches are opened, new deposits come from the area/areas where bank/branches are opened. The number of RRBs in the State and the country has continuously been increasing while the number of RRBs in Eastern Uttar Pradesh is constant. The last bank in Eastern Uttar Pradesh was set up about 4-1/2 years ago.

Comparing the average per branch deposit of RRBs with that of the commercial banks, we find that the average deposit per branch of all the scheduled commercial banks in Eastern Uttar Pradesh as at the end of September 1986 was 112.99 lakhs. Excluding the RRBs, this figure will naturally be greater whereas the average deposit per branch of RRBs in Eastern Uttar Pradesh as at the end of June 1986 comes to Rs. 16.46 lakhs. There is much difference between the two averages -- one for commercial banks and second for RRBs. The performance of RRBs as compared to the commercial banks seems very poor. But keeping into account the following factors, the performance of RRBs with regard to deposit mobilisation during the short period of 12 years is impressive :

1. The standing of commercial banks is long. Whereas the standing of RRBs is only 12 years old.
2. The Cooperative banks are already working in the rural

areas. Thus the rural areas are shared by the RRBs Cooperative banks and rural branches of commercial banks.

3. Not only the dealing with the affluent and weaker sections of the society, but the areas of operation and the activities undertaken by them are also different. The commercial banks extends all types of banking facilities including lockers' facilities, issue and encashment of drafts, discounting of bills etc. while the RRBs have been restricted to perform these tasks. One wanting to avail such banking facilities prefers to become the customer of the commercial banks. In this way, the deposit comes in the commercial bank branches even from the place where RRB branch is already working and vice versa the deposit in RRB is affected. When deposit is affected, the profitability is bound to be affected.
4. The rate of interest on deposit in both the banks are same except the term deposit on which the rate of interest in RRBs is half percent more than in the commercial banks.
5. Another constraint^{on} the way of RRBs in deposit mobilisation is the State Government's preference for keeping their institutional deposits with the Co-operatives.
5

Keeping the above factors into account, it may safely be said that the performance of RRBs in comparison with commercial banks with regard to the deposit mobilisation is good and appreciable.

Further the performance of individual RRB of Eastern Uttar Pradesh is being judged taking into account other RRBs of their ages. Gorakhpur Kshetriya Gram Bank has been the most successful RRB among those five RRBs which were set up in October 1975, so far the deposit mobilisation is concerned. The average deposit per branch of Gorakhpur Kshetriya Gramin Bank, as on June 30, 1986, was Rs. 29.26 lakhs while in Haryana Kshetriya Gramin Bank, it was Rs. 23.37 lakh per branch, then followed by Prathama Bank (Rs. 17.12 lakhs), Gaur Gramin Bank (Rs. 13.60 lakhs) and Jaipur Nagaur Anch. Gramin Bank (Rs. 12.75 lakhs). It has already been seen that the Gorakhpur Kshetriya Gramin Bank, among these RRBs mentioned above, has not only the maximum number of branches, but also the highest average deposit per branch. Similarly average deposit per year of Gorakhpur Kshetriya Gramin Bank in June 1986 was also the highest (Rs. 510.76 lakhs), followed by Prathama Bank (Rs. 252.09 lakhs); Haryana Kshetriya Gramin Bank (Rs. 172.09 lakhs), Jaipur Nagaur Auchally Gramin Bank (Rs. 162.29 lakhs); Gaur Gramin Bank (Rs. 154.50 lakhs). The growth rate of deposit in 1986 over 1985 was the highest in Gaur Gramin Bank (27.77 per cent) followed by Gorakhpur Kshetriya Gramin Bank (25.65 per cent); Jaipur-Nagaur Anchalli Gramin Bank (22.99 per cent); Haryana Kshetriya Gramin Bank (22.68 per cent) and Prathama

Bank (21.62 per cent). Thus, the performance of Gorakhpur Kshetriya Gramin Bank as compared to that of other four pilot RRBs is quite better.

Another group of RRBs set up in 1976 in Uttar Pradesh consists of Barabanki Gramin Bank, Farrukhabad Gramin Bank, Rae Bareilly Kshetriya Gramin Bank, and Bhagirath Gramin Bank including Samyut Kshetriya Gramin Bank and Ballia Kshetriya Gramin Bank of Eastern Uttar Pradesh. In terms of average deposit per branch, the performance of the two RRBs of Eastern Uttar Pradesh is better than that of other RRBs of other parts of Uttar Pradesh. The average deposit per branch of Samyut Kshetriya Gramin Bank as at the end of June 1986 was Rs. 24.03 lakhs, followed by the Ballia Kshetriya Gramin Bank (Rs. 21.21 lakhs); Rae Bareilly Kshetriya Gramin Bank (Rs. 20.09 lakhs); Bhagirath Gramin Bank (Rs. 19.39 lakhs); Farrukhabad Gramin Bank (Rs. 18.93 lakhs); and Barabanki Gramin Bank (Rs. 18.11 lakh). In terms of growth rate of deposit for the year 1986, only Farrukhabad Gramin Bank, out of the above six RRBs, had the maximum rate of 37.00 per cent, followed by Ballia Kshetriya Gramin Bank (36.86%), Samyut Kshetriya Gramin Bank (29.68%), Rae Bareilly Kshetriya Gramin Bank (26.24%), Barabanki Gramin Bank (23.34%) and then Bhagirath Gramin Bank (16.33%). Thus, it may be safely concluded that the Samyut and Ballia Kshetriya Gramin Banks are doing well both in terms of the average deposit per branch and the deposit growth rate.

Similarly the performance of Sultanpur Kshetriya Gramin Bank, when compared with the Hardoi-Unnao Gramin Bank is far better

because the average deposit per branch of the former bank as at the end of June 1986 was Rs. 20.32 lakhs while the corresponding figure for its counterpart was Rs. 13.30 lakhs only. The Jaltanpur Kshetriya Gramin Bank, operating in one district mobilised Rs. 1809.94 lakhs by June 1986 while the Wardoli-Unnao Gramin Bank having jurisdiction over 3 districts, could mobilise only Rs. 1503.00 lakhs which works out to Rs. 501.00 lakhs per district. Operating in three districts with greater number of branches may be attributed to the higher growth rate of deposit (39.65%) in Wardoli-Unnao Gramin Bank than 22.93% in Jaltanpur Kshetriya Gramin Bank at the end of June 1986 over the corresponding date of the last year. Thus, between the above two banks of 1977, the performance of Jaltanpur Kshetriya Gramin Bank is very impressive.

In 1980, twelve RRBs were set up in U.P., of these six are in Eastern U.P. Comparing the performance of these six RRBs with other six RRBs of U.P. in terms of deposits mobilised, its growth rate and average deposit per branch, the performance of the six RRBs of Eastern U.P., both individually and collectively, is found satisfactory and far better as revealed by the following table given on the next page.

Table 6.8 : Deposits, Growth Rate and Average Deposit per Branch of RRBs established in 1980.

(Amount in lakhs of Rs.)

Sl. No.	Name of RRBs and Total	Deposits at the end of		Growth Rate 1985-86 %	Average deposit per Branch
		June 1985	June 1986		
1.	Saraswati Gramin Bank	522.36	793.05	51.82	9.33
2.	Kashi Gramin Bank	549.29	797.94	45.27	10.10
3.	Basti Gramin Bank	665.00	1027.00	54.44	11.54
4.	Allahabad Ksh. Gramin Bank	665.77	565.77	-	8.44
5.	Pratapgarh Ksh. Gr. Bank	483.52	699.84	44.74	10.29
6.	Faizabad Ksh. Gramin Bank	281.83	576.69	104.62	9.30
Total of six RRBs of Eastern Uttar Pradesh		3067.77	4460.29	45.39	9.91
1.	Kanpur Ksh. Gramin Bank	376.78	1050.80	42.62	10.40
2.	Etawah Ksh. Gramin Bank	416.96	594.00	40.06	11.92
3.	Kisan Gramin Bank	197.30	342.02	73.35	6.45
4.	Ksh. Kisan Gramin Bank	225.69	323.24	43.22	4.62
5.	Patehpur Ksh. Gramin Bank	312.00	384.78	23.33	8.02
6.	Bareilly Ksh. Gramin Bank	369.37	552.60	49.61	7.18
Total of six RRBs of other parts of Uttar Pradesh		2259.10	3237.44	43.37	8.13

The six RRBs of Eastern Uttar Pradesh consist of Saraswati, Kashi, Basti, Allahabad, Pratapgarh and Faizabad RRBs, the deposits and growth rate's figures of which have already been shown in

table 6.8. The average of total deposits of first six RRBs is Rs. 9.91 lakhs while this figure for another group is Rs. 8.13 lakhs as at the end of June 1986. Similarly the growth rate of deposits of first six RRBs is 45.29%, as compared to 43.37% for the latter group of six RRBs.

Five RRBs were established in Uttar Pradesh in the year 1981 out of which two are in Eastern Uttar Pradesh. They are Devi Patan Kshetriya Gramin Bank and Gouti Gramin Bank (both in Eastern Uttar Pradesh) and Aligarh Kshetriya Gramin Bank, Tulsi Gramin Bank and Etah Gramin Bank. In terms of the growth rate of deposits the performance of Devi Patan Kshetriya Gramin Bank is the best having the maximum rate of 65.77 per cent and the performance of the Gouti Gramin Bank is the poorest having the minimum rate of 25.76%. The Tulsi Gramin Bank, Etah Gramin Bank and Aligarh Kshetriya Gramin Bank attained deposit growth rate of 52.77%, 39.37% and 34.08% respectively. In terms of average deposit per branch, the Gouti Gramin Bank ranks second (Rs. 9.55 lakhs). Aligarh Kshetriya Gramin Bank ranks first in this matter (Rs. 9.99 lakhs per branch), followed by Devi Patan Kshetriya Gramin Bank (Rs. 9.04 lakhs), Tulsi Gramin Bank (Rs. 6.61 lakhs); and Etah Gramin Bank (Rs. 4.50 lakhs).

The latest RRB of Eastern Uttar Pradesh is Vinhyavasini Gramin Bank established in 1983. When compared with other RRBs of 1983, the performance of Vinhyavasini Gramin Bank is found unsatisfactory both from the point of growth rate of deposit and average deposit per branch. The growth rate of deposit attained

by the Vindhyaavasini Gramein Bank in 1986 was the minimum (94.59%) while all the other ARBs of 1983 attained a deposit growth rate of more than hundred percent. The Vidur Gramein Bank attained a deposit growth rate of 139.54%; Mahajanger Kshetriya Gramein Bank 154.70%; Saryu Gramein Bank 162.06% and Jamuna Gramein Bank 105.81%.

Deposit Mix

As is well known that one of the objectives for which the ARBs were set up was to inculcate the habit of savings among the persons of small means. In the following table, the break-up of the deposits has been shown so as to find out the endeavour of ARBs to achieving the aforesaid objective. The latest figure of the break-up available is of December, 1984.

**Table 6.9 : Break-up of Deposits of RRBs of Eastern Uttar Pradesh
as at the end of December 1984**

(Amount in lakhs of Rs.)

Sl. no.	Name of the RRBs	Current A/c Amt.	Savings Bank (SB) A/c Amt.	Others A/c Amt.	Total Amt.
1.	Gorakhpur Ksh. Gr. Bank	216.98 (5.10)	2541.76 (59.78)	1493.10 (35.12)	4251.84 (100)
2.	Samyt Ksh. Gramin Bank	100.26 (3.93)	1539.32 (60.27)	914.43 (35.80)	2554.07 (100)
3.	Ballia Ksh. Gramin Bank	18.99 (1.55)	659.13 (53.88)	544.30 (44.57)	1221.42 (100)
4.	Sultanpur Ksh. Gramin Bank	21.32 (1.72)	656.56 (53.08)	559.04 (45.20)	1236.82 (100)
5.	Saraswati Gramin Bank	57.21 (9.30)	412.06 (66.93)	146.35 (23.77)	612.62 (100)
6.	Kashi Gramin Bank	19.38 (3.96)	322.04 (65.66)	149.02 (30.38)	490.44 (100)
7.	Basti Gramin Bank	38.91 (5.82)	498.38 (74.49)	131.75 (19.69)	669.04 (100)
8.	Allahabad Ksh. Gr. Bank	14.24 (2.88)	319.14 (64.26)	162.67 (32.86)	495.05 (100)
9.	Pratapgarh Ksh. Gr. Bank	8.98 (1.92)	351.12 (74.99)	108.12 (21.09)	468.22 (100)
10.	Faizabad Ksh. Gr. Bank	9.27 (3.32)	210.96 (75.44)	59.39 (21.24)	279.62 (100)
11.	Devi Patan Ksh. Gr. Bank	53.97 (15.50)	242.14 (69.55)	52.03 (14.95)	348.14 (100)
12.	Gomti Gramin Bank	7.93 (1.52)	325.07 (67.29)	150.21 (31.09)	483.11 (100)
13.	Vindhyavasini Gr. Bank	7.93 (10.33)	55.41 (72.19)	13.42 (17.48)	76.76 (100)
Eastern Uttar Pradesh		575.17 (4.36)	9131.09 (61.65)	4483.89 (33.99)	13190.15 (100)
All Uttar Pradesh		1397.88 (5.57)	15457.59 (61.58)	8244.55 (32.85)	25100.02 (100)
All India		7665.67 (8.07)	54585.04 (57.19)	33201.92 (34.73)	95452.63 (100)

Figures in brackets show the percentages to total.

It is evident from the above table that altogether 66 per cent of the total deposits of all the RRBs of Eastern Uttar Pradesh constitutes the demand deposits (current A/c and S.B. A/c) and the remaining 34 per cent constitutes the time deposits (Fixed Deposit and Deposit Receipt Certificate). The percentage of saving Bank A/c ranges from 53.98% in Sultanpur Kshetriya Gramin Bank to 76.44% in Faizabad Kshetriya Gramin Bank.

It is seen that the rate of interest on demand deposit is always less than that on the time deposit. At present, the prevailing rate of interest on SB A/c is 5% per annum, on current A/c it is nil and on the fixed deposit, it depends upon the period of time for which the deposit is kept. The maximum rate of interest on time deposit is 11-1/2 per cent. If in a bank the proportion of deposits in current A/c and SB A/c is high, the bank will have to pay less interest on funds received by it. Thus, the cost of raising funds will be less and similarly, if larger deposit comes into the latter types of A/cs, the bank will have to pay higher rate of interest on funds raised and the cost of borrowing will be high and it will affect the profitability of the bank.

We know that the RRBs' working is in rural areas where the people of small means live. The RRB is, therefore, known as small man's bank. An ideal deposit-mix for RRBs is that which has a higher ratio of SB A/cs because (i) due to lesser number of businessmen in rural areas, the deposits in current A/c will automatically be less. Generally the businessmen operate Current

Account. (ii) The savings of the people with small means is generally low for which SB Account is best suited. (iii) The frequency of withdrawals under SB Accounts is limited. (iv) The RRBs financing is restricted to the priority sector only, and the RRBs have to charge the maximum of 10 to 12 per cent interest on the advances made, and thus they can not afford to allow a rise in the cost of funds. (v) Higher the ratio of SB Accounts in deposit mix, better the profitability of the RRBs. The banks make profit from the interest differential between the lending rate and the borrowing rate. In case the RRBs lend their own funds, there will be profit from 5 to 7 per cent (interest payable on SB Accounts is 5% and interest charged on lending is 10 to 12%). In case the RRBs lend the funds made available by the re-financing institutions, the rate of profit will be one to three per cent (the re-financing institutions charge 9% interest on the funds made available by them.) (vi) Higher ratio of fixed deposits/deposit receipt certificates (DRC), the lower profitability. The RRBs will earn hardly one per cent profit which can not even cover the cost of operation.

The overall contribution of RRBs of Eastern Uttar Pradesh is commendable as they did play^a useful role in mobilising a considerable part of savings in their jurisdiction, in spite of various constraints in deposit mobilisation.

3. CREDIT DEBIT

The second aspect of the management of funds of RRBs

(keeping down the cost of raising resources being the first aspect) embraces the deployment of resources in order to maximise the earnings coupled with an effective service to the class of people for whose upliftment they have been established. The resources for deployment at the disposal of RRBs consists of deposits mobilised, share capital, reserves and surplus and re-finance from various institutions like the sponsor Banks, NABARD and IDBI. Among these resources, the bulk of funds is from deposits only. But there are constraints on the total availability of deposit funds for credit deployment. There are certain primitive uses for which a part of the deposit resources have to be earmarked. The RRBs, like other scheduled banks, are required to maintain cash reserve at 3 per cent of their total demand and time liabilities in terms of Sec. 42(1) of the RBI Act by way of average daily balance with the RBI. In addition to this they have to set aside, in terms of Sec. 24 of the Banking Regulation (B.R.) Act 1949, 25 per cent of their total demand and time liabilities as liquid assets by way of deposits with sponsor bank/nationalised banks, balances maintained with RBI in excess of 3 per cent and investment in government and other trustee securities. While statutory cash resources/liquid assets represent the minimum, it is another thing that a bank has to maintain liquid assets over and above this minimum.

All the funds of RRBs, like any other banking institution, are distributed judiciously among the various kinds of assets. In order of liquidity these assets are :

- (a) Cash-in-hand and balances in current accounts with RBI and nationalised banks.
- (b) Balances with other banks and money at call and short notice.
- (c) Investment in government and other trustee securities.
- (d) Loans and advances
- (e) Premises and other fixed assets like furniture, fixture, vehicles etc.

Among the above distribution the bulk goes in the form of loans and advances. By and large, the loans advanced by the RRBs are covered by the guarantee schemes operated by the DICGC which has been charging fee from RRBs on a concessional basis. It shall be discussed in the latter section. Deployment of resources by way of loans and advances is the second primary function of RRBs. Alongwith the first primary function (mobilisation of resources), the RRBs have been successfully performing the second function also.

The total outstanding advances of RRBs of Eastern Uttar Pradesh (both direct and indirect advances) stood at Rs. 12549.17 lakhs under 758191 borrowal accounts as on the last day of June 1986 as compared to Rs. 10141.22 lakhs under 664311 borrowal accounts a year ago. Thus, the total advances recorded an increase of 23.74 per cent over the previous year. There are wide variations in advances and the percentage of their increase as between one RRB to another and from branch to branch. The advances by RRBs in Eastern Uttar Pradesh constitute 43.5 per cent of the

total advances in All Uttar Pradesh as on June 30, 1986. This percentage is greater than the percentages of ARBs (33.33%) and their branches (41.6%) in this region and also the area's percentage (29.9%). The advances per branch in Eastern Uttar Pradesh are Rs. 10.90 lakhs as against Rs. 10.43 lakhs per branch in whole Uttar Pradesh. The amount of loans per borrowing account in the region is Rs. 1656.56 while in U.P. it is Rs. 1966.73 per borrowing account. The performance of ARBs in the region in terms of advances seems satisfactory as compared to All Uttar Pradesh. The following table depicts the advances per ARB and per branch.

Table 6.10 : Total outstanding Advances of ARBs in Eastern U.P. as at the end of

(Amount in lakhs of Rs.)

Sl. No.	Name of the ARBs	June 1985		June 1986		% increase over prev. year	Av. Adv. per branch Jun 1986 Amt
		No. of A/cs	Amount	No. of A/cs	Amount		
1.	Gorakhpur Ksh.Gr. Bank	302746	2730.77	325462	2970.76	8.79	15.
2.	Samyut Ksh.Gr.Bank	78455	1797.59	91488	2305.23	29.24	14.
3.	Ballia Ksh.Gr.Bank	44612	1056.12	55789	1600.38	51.53	19.
4.	Sultanpur Ksh.Gr.Bank	47503	962.42	52553	1039.52	13.21	12.
5.	Saraswati Gr.Bank	28946	705.98	36427	940.31	33.21	11.
6.	Kashi Gr.Bank	22226	598.64	29053	814.59	36.07	10.
7.	Rasti Gramin Bank	54386	546.00	58629	556.00	1.83	6.
8.	Allahabad Ksh.Gr.Bank	16151	370.95	16151	370.95	-	5.
9.	Pratapgarh Ksh.Gr. Bank	20290	379.70	20986	393.29	3.59	5.
10.	Faizabad Ksh.Gr.Bank	7399	150.39	19506	339.35	152.99	6.
11.	Davi Patan Ksh.Gr.Bank	18432	349.33	24038	452.29	32.32	6.
12.	Gomti Gr.Bank	20554	440.51	23678	541.79	22.99	6.
13.	Vindhyavasini Gr.Bank	2611	52.87	5431	114.72	115.99	2.
	Eastern U.P.	664311	10141.22	758191	12549.17	23.74	10.
	Rest of U.P.	556584	12174.77	708598	16302.75	33.91	10.
	All U.P.	1220895	22315.99	1466789	28851.92	29.29	10.
	All India	6298118	119834.83	7463125	154033.99	29.62	12.

Taking into account the total advances and average advances per branch, the performance of RRBs in Eastern U.P. seems satisfactory. But if we consider the backwardness of the Region, the proportion of weaker sections to total population, and the credit gap here, the advances made by the RRBs are not upto the mark. The Eastern Uttar Pradesh, representing the true socio-economic picture of the country and having been since long the credit starved region, has an average advance of Rs. 10.90 lakhs at the end of June 1986 which works out to Rs. 1655.56 per borrowal account while per branch advances at All India level on the same date is Rs. 12.06 lakhs which works out to Rs. 2053.97 per borrowal account. The RRBs should, therefore, increase the level of advances in this backward region and as the region is agricultural in nature, most of the advances must be for agricultural purposes because agricultural credit can help increase agricultural production and contribute to the solution of the problem of rural poverty.

Whatever loans have been advanced by the RRBs in India, the major portion has gone to agricultural sector in the form of crop loans and term loans. But in Eastern U.P., the percentage of agricultural advances to total advances, as at the end of June 1986, ranges from 22.83% in Allahabad Kshetriya Gramin Bank to 77.23% in Gorakhpur Kshetriya Gramin Bank while the average of this percentage in all the 13 RRBs is 49.84. The classification of advances between agricultural (crop loans and term loans) and non-agricultural has been shown in table 6.12 on the next page.

**Table 6.11 : Agricultural and Non-Agricultural Advances
(outstanding) of RRBs in Eastern Uttar Pradesh
as at the end of**

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	June, 1985		June 1986		Percentage of	
		Agr.	Non-Agr.	Agr.	Non-Agr.	Agr. Adv. to June 1985	Total Advance June, 86
		Amt.	Amt.	Amt.	Amt.		
1.	Gorakhpur Ksh.Gr. Bank	2118.25	612.52	2294.39	676.38	77.56	77.23
2.	Samyut Ksh.Gr. Bank	743.90	1053.69	958.29	1346.95	41.38	41.57
3.	Ballia Ksh. Gr. Bank	684.42	371.70	918.45	691.93	64.81	57.39
4.	Sultanpur Ksh.Gr. Bank	337.63	624.79	396.45	693.07	35.08	36.39
5.	Saraswati Gramin Bank	344.11	361.77	447.87	492.44	48.75	47.63
6.	Kashi Gramin Bank	130.08	468.56	206.79	607.79	21.73	25.39
7.	Basti Gramin Bank	284.00	262.00	273.00	283.00	52.01	49.10
8.	Allahabad Ksh. Gr. Bank	84.67	286.28	84.67	286.28	22.83	22.83
9.	Pratapgarh Ksh.Gr.Bank	97.90	281.80	96.96	296.33	25.78	24.65
10.	Faizabad Ksh.Gr. Bank	43.03	107.36	133.61	255.75	28.61	34.32
11.	Devi Patan Ksh.Gr. Bank	168.63	180.75	205.53	256.76	48.27	44.46
12.	Gomti Gramin Bank	149.57	290.94	183.03	358.76	33.95	33.78
13.	Vindhyavasini Gr. Bank	23.84	29.03	55.93	58.89	45.09	48.67
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	Eastern Uttar Pradesh	5210.03	4931.19	6254.85	6294.32	51.37	49.84
	Rest of Uttar Pradesh	6565.87	5608.9	9327.10	7975.65	53.93	51.08
	All Uttar Pradesh	11775.90	10540.09	14581.95	14269.97	52.77	50.54
	All India	69341.02	49493.81	87106.88	66927.40	58.35	56.55

From the above table it is clear that the share of non-agricultural advances in total advances by RRBs in Eastern U.P., as at the end of June 1986, is 51.16%. The non-agricultural loans mean loans to rural artisans, to retail traders to self-employed persons and others, and for consumption purposes. In addition to the general business of banking, the RRBs may engage themselves in any one or more of the business spelt out in Sec. 6(1) of the Banking Regulation Act. But the RRBs, in terms of the statute, are, in particular, required to undertake the business of (a) granting of loans and advances, particularly to small and marginal farmers and agricultural labourers whether individually or in groups, and to cooperative societies for agricultural purposes or agricultural operations or for other purposes connected therewith and (b) granting of loans and advances particularly to artisans, small entrepreneurs and persons of small means engaged in trade, commerce, or industry or other productive activities. The table on the next page shows the break-up of agricultural and non-agricultural advances.

Table 6.12 : Loan Business of BSA in Eastern Uttar Pradesh compared with rest of Uttar Pradesh, All Uttar Pradesh and All India as at the end of June 1986.

(Amount in lakhs of Rs.)

Loans	Eastern Uttar Pradesh	Rest of Uttar Pradesh	All Uttar Pradesh	All India
I- <u>Agricultural Loans</u>	6254.85 (49.84)	8327.10 (51.09)	14581.95 (50.54)	87106.58 (56.55)
(a) Crop Loans	1123.69 (8.96)	1700.44 (10.43)	2824.13 (9.79)	26518.41 (17.22)
(b) Term Loans (Agricultural Pur- poses and allied activities)	5131.16 (40.89)	6626.66 (39.44)	11757.82 (40.75)	60588.17 (39.33)
II- <u>Non-Agricultural Loans</u>	6294.32 (50.16)	7975.65 (48.92)	14269.97 (49.46)	66927.40 (43.45)
(a) Rural Artisans, Village and Cottage Industries	769.88 (6.14)	905.21 (5.52)	1675.09 (5.81)	9008.24 (5.84)
(b) Consumption Loans	320.45 (2.55)	101.57 (0.62)	422.02 (1.46)	1279.24 (0.83)
(c) Retail Trade/Small Business and Self Employed	4627.46 (36.84)	5635.32 (34.57)	10262.78 (35.57)	41758.07 (27.11)
(d) Others	512.54 (4.09)	1292.68 (7.93)	1805.22 (6.26)	11545.65 (7.50)
III- <u>Indirect Advances</u>	63.99 (0.51)	40.87 (0.25)	104.86 (0.36)	3336.20 (2.17)
Total I + II + III	12549.17 (100)	16302.75 (100)	28851.92 (100)	154033.93 (100)

Figures in brackets indicate percentage to total.

The above table reveals that among the non-agricultural, the bulk of loans were advanced to retail trade, small business

and self employed. Consumption loans were Rs. 327.45 lakhs constituting 2.37 per cent of the total loans advanced in the region while it was only 0.62 per cent in the rest of Uttar Pradesh. The advances through the Farmers Service Societies (i.e. indirect advances) were less than one per cent in this region. It was 2.17 per cent in India.

The KGs, whether considered individually or collectively and at the level of region, state or whole country, have largely extended term credit generally for minor irrigation, dairy, poultry, piggy, sheep/goat rearing and pisciculture etc., as compared to crop loan or other types of credit. Thus, term credit seems to be popular with the KGs. Consumption loans were given by 6 KGs of eastern Uttar Pradesh. Rural artisans received financial assistance from all the KGs, but this line of credit was more important in Yamunati Grain Bank, Keshi Grain Bank and Devi Patan Ashetriya Grain Bank. However, the analysis of loan operations of all KGs of Eastern Uttar Pradesh indicates a mixed pattern. But every KG was found more enthusiastic in respect of providing term credit for agriculture. It is because (i) term loan provides a quicker way of attaining higher loan targets; (ii) it facilitates identification of purposes, and (iii) it is easier to supervise the utilization.

Besides, other categories of weaker sections are being covered by the KGs. The poorer among the poor, under various government sponsored programmes, are also covered by the KGs. Thus, the loan operations of the KGs are testimony to the objective laid down by the Working Group on KGs. The Group had

Table 6.13 : Average-wise classification of outstanding balances of Eastern U.P. as at the end of June 1956.

(Amount in lakhs of Rs.)

Sl. no.	Name of the RDS	Crop Loans	Agr. & allied activities	Rural Artisan Village & other basic in- stitutions	Detail Trade loans	Consumption loans	Other advances	Indirect Advances	Total outstanding Advances
		Amt.	Amt.	Amt.	Amt.	Amt.	Amt.	Amt.	Amt.
1.	Gorakhpur Ksh. Gr. Bank	353.59	1940.79	69.06	377.15	211.04	-	29.13	2970.76
2.	Samyut Ksh. Gramin Bank	223.92	734.55	73.56	1153.05	3.34	94.02	21.94	2305.23
3.	Ballia Ksh. Gramin Bank	142.64	775.81	16.04	149.09	90.35	47.73	-	1600.38
4.	Sultanpur Ksh. Gramin Bank	94.11	302.14	78.25	532.10	6.97	75.65	-	1089.52
5.	Saraswati Gramin Bank	47.93	399.89	115.17	355.19	0.71	21.37	-	94.31
6.	Kashi Gramin Bank	60.94	145.65	173.45	530.47	-	23.22	7.65	914.58
7.	Basti Gramin Bank	66.60	267.09	47.08	215.00	-	21.20	-	556.00
8.	Allahabad Ksh. Gr. Bank	7.67	76.70	16.37	247.79	-	22.12	-	370.95
9.	Pratapgarh Ksh. Gramin Bank	13.40	53.55	19.01	240.11	-	37.21	-	393.29
10.	Salzabad Ksh. Gr. Bank	25.41	103.20	16.74	143.31	45.10	15.03	-	369.35
11.	Devi Petan Ksh. Gr. Bank	16.94	108.59	41.50	162.89	-	32.77	-	462.29
12.	Corti Gramin Bank	44.59	179.44	25.39	217.55	-	11.35	4.27	541.79
13.	Vindhyavasin Gramin Bank	6.20	49.63	39.10	15.23	-	5.54	-	114.72

stated, "one of the more important objectives of the rural banks would be to attempt effective coverage of small and marginal farmers, landless labourers, rural artisans etc. The performance of these banks will be judged by their success in coverage of such categories of borrowers." And judged by this criterion, the performance of the RRBs of Eastern Uttar Pradesh seems satisfactory.

As noted earlier, the RRBs issue loans under special programmes sponsored by the government. There are various anti-poverty programmes like Integrated Rural Development Programme (IRDP), Special Component Plan (SCP), National Rural Employment Programme (NREP), National Scheme of Training Rural Youth for Self Employment (TRYSSE), etc. The RRBs also advance to the economically weaker sections under Differential Rate of Interest (DRI) scheme.

The IRDP aims at providing to the poorer among the poor the productive assets and resources at subsidy to lift them above the poverty line. The NREP provides employment opportunities to the rural poor and the TRYSEM concentrates on employment of the rural landless and provides part of the wages as food grains. The TRYSSE programme aims at providing training for skill development so that rural youth can be gainfully self employed. A maximum of Rs. 5,000 may be granted under the Government scheme and no collateral security is demanded. The interest charged by the RRBs on the advances under government schemes is @ 10 per annum. Similarly the DRI scheme provides bank finance to the economically weaker sections of the society so as to enable

them to raise their present economic level through productive endeavour. The productive endeavour should be such as would become economically viable within a reasonable period, say 3 years. The banks are required to lend a minimum of 1% of their aggregate advances as at the end of the previous year. The interest charged on the advances under DRI scheme is 4% per annum.

The loans advanced under the government schemes are through the Credit Camps organised at village/block/tehsil level. Most of such loans are distributed under the IRDP. The following table shows the amount of loans advanced under IRDP and DRI schemes by the RRBs of Eastern Uttar Pradesh during January to June 1986. The loans under such schemes have continuously been increasing. It has been shown through Annexure 6-2.

Table 5.16 : Loans raised under Special Deposit Scheme in 1990-91 (Rs. Lakhs)

Sl. No.	Name of the Bank	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49	2049-50	2050-51	2051-52	2052-53	2053-54	2054-55	2055-56	2056-57	2057-58	2058-59	2059-60	2060-61	2061-62	2062-63	2063-64	2064-65	2065-66	2066-67	2067-68	2068-69	2069-70	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80	2080-81	2081-82	2082-83	2083-84	2084-85	2085-86	2086-87	2087-88	2088-89	2089-90	2090-91	2091-92	2092-93	2093-94	2094-95	2095-96	2096-97	2097-98	2098-99	2099-00	2100-01	2101-02	2102-03	2103-04	2104-05	2105-06	2106-07	2107-08	2108-09	2109-10	2110-11	2111-12	2112-13	2113-14	2114-15	2115-16	2116-17	2117-18	2118-19	2119-20	2120-21	2121-22	2122-23	2123-24	2124-25	2125-26	2126-27	2127-28	2128-29	2129-30	2130-31	2131-32	2132-33	2133-34	2134-35	2135-36	2136-37	2137-38	2138-39	2139-40	2140-41	2141-42	2142-43	2143-44	2144-45	2145-46	2146-47	2147-48	2148-49	2149-50	2150-51	2151-52	2152-53	2153-54	2154-55	2155-56	2156-57	2157-58	2158-59	2159-60	2160-61	2161-62	2162-63	2163-64	2164-65	2165-66	2166-67	2167-68	2168-69	2169-70	2170-71	2171-72	2172-73	2173-74	2174-75	2175-76	2176-77	2177-78	2178-79	2179-80	2180-81	2181-82	2182-83	2183-84	2184-85	2185-86	2186-87	2187-88	2188-89	2189-90	2190-91	2191-92	2192-93	2193-94	2194-95	2195-96	2196-97	2197-98	2198-99	2199-00	2200-01	2201-02	2202-03	2203-04	2204-05	2205-06	2206-07	2207-08	2208-09	2209-10	2210-11	2211-12	2212-13	2213-14	2214-15	2215-16	2216-17	2217-18	2218-19	2219-20	2220-21	2221-22	2222-23	2223-24	2224-25	2225-26	2226-27	2227-28	2228-29	2229-30	2230-31	2231-32	2232-33	2233-34	2234-35	2235-36	2236-37	2237-38	2238-39	2239-40	2240-41	2241-42	2242-43	2243-44	2244-45	2245-46	2246-47	2247-48	2248-49	2249-50	2250-51	2251-52	2252-53	2253-54	2254-55	2255-56	2256-57	2257-58	2258-59	2259-60	2260-61	2261-62	2262-63	2263-64	2264-65	2265-66	2266-67	2267-68	2268-69	2269-70	2270-71	2271-72	2272-73	2273-74	2274-75	2275-76	2276-77	2277-78	2278-79	2279-80	2280-81	2281-82	2282-83	2283-84	2284-85	2285-86	2286-87	2287-88	2288-89	2289-90	2290-91	2291-92	2292-93	2293-94	2294-95	2295-96	2296-97	2297-98	2298-99	2299-00	2300-01	2301-02	2302-03	2303-04	2304-05	2305-06	2306-07	2307-08	2308-09	2309-10	2310-11	2311-12	2312-13	2313-14	2314-15	2315-16	2316-17	2317-18	2318-19	2319-20	2320-21	2321-22	2322-23	2323-24	2324-25	2325-26	2326-27	2327-28	2328-29	2329-30	2330-31	2331-32	2332-33	2333-34	2334-35	2335-36	2336-37	2337-38	2338-39	2339-40	2340-41	2341-42	2342-43	2343-44	2344-45	2345-46	2346-47	2347-48	2348-49	2349-50	2350-51	2351-52	2352-53	2353-54	2354-55	2355-56	2356-57	2357-58	2358-59	2359-60	2360-61	2361-62	2362-63	2363-64	2364-65	2365-66	2366-67	2367-68	2368-69	2369-70	2370-71	2371-72	2372-73	2373-74	2374-75	2375-76	2376-77	2377-78	2378-79	2379-80	2380-81	2381-82	2382-83	2383-84	2384-85	2385-86	2386-87	2387-88	2388-89	2389-90	2390-91	2391-92	2392-93	2393-94	2394-95	2395-96	2396-97	2397-98	2398-99	2399-00	2400-01	2401-02	2402-03	2403-04	2404-05	2405-06	2406-07	2407-08	2408-09	2409-10	2410-11	2411-12	2412-13	2413-14	2414-15	2415-16	2416-17	2417-18	2418-19	2419-20	2420-21	2421-22	2422-23	2423-24	2424-25	2425-26	2426-27	2427-28	2428-29	2429-30	2430-31	2431-32	2432-33	2433-34	2434-35	2435-36	2436-37	2437-38	2438-39	2439-40	2440-41	2441-42	2442-43	2443-44	2444-45	2445-46	2446-47	2447-48	2448-49	2449-50	2450-51	2451-52	2452-53	2453-54	2454-55	2455-56	2456-57	2457-58	2458-59	2459-60	2460-61	2461-62	2462-63	2463-64	2464-65	2465-66	2466-67	2467-68	2468-69	2469-70	2470-71	2471-72	2472-73	2473-74	2474-75	2475-76	2476-77	2477-78	2478-79	2479-80	2480-81	2481-82	2482-83	2483-84	2484-85	2485-86	2486-87	2487-88	2488-89	2489-90	2490-91	2491-92	2492-93	2493-94	2494-95	2495-96	2496-97	2497-98	2498-99	2499-00	2500-01	2501-02	2502-03	2503-04	2504-05	2505-06	2506-07	2507-08	2508-09	2509-10	2510-11	2511-12	2512-13	2513-14	2514-15	2515-16	2516-17	2517-18	2518-19	2519-20	2520-21	2521-22	2522-23	2523-24	2524-25	2525-26	2526-27	2527-28	2528-29	2529-30	2530-31	2531-32	2532-33	2533-34	2534-35	2535-36	2536-37	2537-38	2538-39	2539-40	2540-41	2541-42	2542-43	2543-44	2544-45	2545-46	2546-47	2547-48	2548-49	2549-50	2550-51	2551-52	2552-53	2553-54	2554-55	2555-56	2556-57	2557-58	2558-59	2559-60	2560-61	2561-62	2562-63	2563-64	2564-65	2565-66	2566-67	2567-68	2568-69	2569-70	2570-71	2571-72	2572-73	2573-74	2574-75	2575-76	2576-77	2577-78	2578-79	2579-80	2580-81	2581-82	2582-83	2583-84	2584-85	2585-86	2586-87	2587-88	2588-89	2589-90	2590-91	2591-92	2592-93	2593-94	2594-95	2595-96	2596-97	2597-98	2598-99	2599-00	2600-01	2601-02	2602-03	2603-04	2604-05	2605-06	2606-07	2607-08	2608-09	2609-10	2610-11	2611-12	2612-13	2613-14	2614-15	2615-16	2616-17	2617-18	2618-19	2619-20	2620-21	2621-22	2622-23	2623-24	2624-25	2625-26	2626-27	2627-28	2628-29	2629-30	2630-31	2631-32	2632-33	2633-34	2634-35	2635-36	2636-37	2637-38	2638-39	2639-40	2640-41	2641-42	2642-43	2643-44	2644-45	2645-46	2646-47	2647-48	2648-49	2649-50	2650-51	2651-52	2652-53	2653-54	2654-55	2655-56	2656-57	2657-58	2658-59	2659-60	2660-61	2661-62	2662-63	2663-64	2664-65	2665-66	2666-67	2667-68	2668-69	2669-70	2670-71	2671-72	2672-73	2673-74	2674-75	2675-76	2676-77	2677-78	2678-79	2679-80	2680-81	2681-82	2682-83	2683-84	2684-85	2685-86	2686-87	2687-88	2688-89	2689-90	2690-91	2691-92	2692-93	2693-94	2694-95	2695-96	2696-97	2697-98	2698-99	2699-00	2700-01	2701-02	2702-03	2703-04	2704-05	2705-06	2706-07	2707-08	2708-09	2709-10	2710-11	2711-12	2712-13	2713-14	2714-15	2715-16	2716-17	2717-18	2718-19	2719-20	2720-21	2721-22	2722-23	2723-24	2724-25	2725-26	2726-27	2727-28	2728-29	2729-30	2730-31	2731-32	2732-33	2733-34	2734-35	2735-36	2736-37	2737-38	2738-39	2739-40	2740-41	2741-42	2742-43	2743-44	2744-45	2745-46	2746-47	2747-48	2748-49	2749-50	2750-51	2751-52	2752-53	2753-54	2754-55	2755-56	2756-57	2757-58	2758-59	2759-60	2760-61	2761-62	2762-63	2763-64	2764-65	2765-66	2766-67	2767-68	2768-69	2769-70	2770-71	2771-72	2772-73	2773-74	2774-75	2775-76	2776-77	2777-78	2778-79	2779-80	2780-81	2781-82	2782-83	2783-84	2784-85	2785-86	2786-87	2787-88	2788-89	2789-90	2790-91	2791-92	2792-93	2793-94	2794-95	2795-96	2796-97	2797-98	2798-99	2799-00	2800-01	2801-02	2802-03	2803-04	2804-05	2805-06	2806-07	2807-08	2808-09	2809-10	2810-11	2811-12	2812-13	2813-14	2814-15	2815-16	2816-17	2817-18	2818-19	2819-20	2820-21	2821-22	2822-23	2823-24	2824-25	2825-26	2826-27	2827-28	2828-29	2829-30	2830-31	2831-32	2832-33	2833-34	2834-35	2835-36	2836-37	2837-38	2838-39	2839-40	2840-41	2841-42	2842-43	2843-44	2844-45	2845-46	2846-47	2847-48	2848-49	2849-50	2850-51	2851-52	2852-53	2853-54	2854-55	2855-56	2856-57	2857-58	2858-59	2859-60	2860-61	2861-62	2862-63	2863-64	2864-65	2865-66	2866-67	2867-68	2868-69	2869-70	2870-71	2871-72	2872-73	2873-74	2874-75	2875-76	2876-77	2877-78	2878-79	2879-80	2880-81	2881-82	2882-83	2883-84	2884-85	2885-86	2886-87	2887-88	2888-89	2889-90	2890-91	2891-92	2892-93	2893-94	2894-95	2895-96	2896-97	2897-98	2898-99	2899-00	2900-01	2901-02	2902-03	2903-04	2904-05	2905-06	2906-07	2907-08	2908-09	2909-10	2910-11	2911-12	2912-13	2913-14	2914-15	2915-16	2916-17	2917-18	2918-19	2919-20	2920-21	2921-22	2922-23	2923-24	2924-25	2925-26	2926-27	2927-28	2928-29	2929-30	2930-31	2931-32	2932-33	2933-34	2934-35	2935-36	2936-37	2937-38	2938-39	2939-40	2940-41	2941-42	2942-43	2943-44	2944-45	2945-46	2946-47	2947-48	2948-49	2949-50	2950-51	2951-52	2952-53	2953-54	2954-55	2955-56	2956-57	2957-58	2958-59	2959-60	2960-61	2961-62	2962-63	2963-64	2964-65	2965-66	2966-67	2967-68	2968-69	2969-70	2970-71	2971-72	2972-73	2973-74	2974-75	2975-76	2976-77	2977-78	2978-79	2979-80	2980-81	2981-82	2982-83	2983-84	2984-85	2985-86	2986-87	2987-88	2988-89	2989-90	2990-91	2991-92	2992-93	2993-94	2994-95	2995-96	2996-97	2997-98	2998-99	2999-00	3000-01	3001-02	3002-03	3003-04	3004-05	3005-06	3006-07	3007-08	3008-09	3009-10	3010-11	3011-12	3012-13	3013-14	3014-15	3015-16	3016-17	3017-18	3018-19	3019-20	30
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As the IRDP is the most important scheme for poverty alleviation, the major portion of loans advanced under various schemes goes under IRDP. The above table shows that out of the total loans of Rs. 1321.43 lakh to 50905 beneficiaries under various schemes in Eastern Uttar Pradesh, Rs. 1053.11 lakhs constituting 79.69% were distributed to 50547 beneficiaries under the IRDP Programme during January and June 1985. This figure for All Uttar Pradesh comes to 67.21% and for All India 72.95%. The average loan distribution per beneficiary under IRDP in Eastern Uttar Pradesh is Rs. 2064.92 while it is Rs. 2674.23 per beneficiary in rest of Uttar Pradesh, Rs. 2343.65 per beneficiary in All Uttar Pradesh and Rs. 2420.23 per beneficiary at All India level. Such variations are also found at blocks and tehsils level. Since the economic status of the population of different areas differs, such variations will be found from place to place. Eastern Uttar Pradesh is backward region having most of its population with low economic status as compared to the rest part of Uttar Pradesh, the distribution of loans under IRDP and other programmes should have been more than that in other areas of Uttar Pradesh. But this is not so, the reason being the wrong fixation of target and selection of the beneficiaries.

As earlier noted that the loans under government schemes are mostly distributed by organising Credit Camps at village/block/tehsil level, the RRB branches also depend mostly on sponsored loan applications, i.e. the applications coming from block authorities and of the developmental agencies of the State

Government. The responsibility of selection and identification of beneficiaries who get loans through these Credit Camps is shouldered by the Block Development Officers (BDOs). They are the paramount authorities for the purpose. The BDOs get the work of selecting the beneficiaries done through the Village Development Officers (VDOs) who select the beneficiaries by going door to door. The quotas and targets are allotted to VDOs. They have to achieve the target anyway, even without considering the requirement and economic status of the borrowers, and thus wrong identification is done. Second thing which came into light during the course of personal interviews with the officers of BDOs and Sponsor Bank is that many a times more than one beneficiary is selected from the same family while the rule is to select only one person from a family. Thirdly, selection and identification is practically done by the politicians. Fourthly, mass loaning is done through credit camps and hundreds and thousands of borrowers are, no doubt, benefitted by augmenting purchasing power in their hands but the economic activities of the borrowers are not properly considered by the organisers of the Credit Camps. Sixthly, the cost of organising Credit Camps is also high. Seventhly, several loans under poverty alleviation programmes go to non-existent beneficiaries. It was confirmed by Mr. Chintamani Panigrahi, Minister of State for Home and Chairman of Estimates Committee of Parliament, by a survey conducted by him.⁶ Thus, it may be said that the really needy

6. The Economic Times, New Delhi, October 26, 1985, p. 8.

persons do not get the real benefit of the schemes. So the Credit Camps are of no avail to the weaker sections.

As far as the DRI scheme is concerned, it was introduced in the year 1972 pursuant to a policy decision taken by the Government of India on March 25, 1972. In the beginning it was made applicable to certain backward pockets in rural, semi urban and urban areas. But since July 1979, the scheme has been covering the entire country. The scheme which was hitherto being implemented by public sector banks only is now being implemented by the private sector banks also. This scheme is only for the weaker sections particularly for the scheduled castes and scheduled Tribes.

In order that the weaker sections in the rural areas derive maximum benefit under the scheme, the banks operating the scheme are required to lend a minimum of one per cent of total advances under this scheme, and major portion of this advance are routed through the rural and semi-urban branches of commercial banks. Now the RRBs are granting advances under this scheme and the sponsor banks re-finance it. The RRBs have been making sincere attempts to boost DRI advances with a view to refurbishing their own image in the public eyes. Security and surety, if not available, are not insisted upon. The DRI scheme also, like IRDP etc., is not very useful for the weaker sections. Professor M.L. Santwala is of the view that the interest rate policy inclusive of DRI scheme is a matter of general banking policy but so far as its application through RRBs is concerned, it is not ^{the} right

approach to the problem of rural credit. The urgent need, according to him, is to make credit available to those who are in dire need of it and at the right time and with the simplest possible formalities.⁷

Realising the above scheme, the scheme of interest free banking may be very useful in solving the problem of rural credit and in the upliftment of weaker sections. Such scheme has not yet received any attention from the Government of India while it has got much appreciation in other countries where it was introduced.

On the basis of the above analysis it may be said that helping the weaker sections of the society is a big job for the bankers and the co-ops, since their establishment, have been helping the poor man in the country by giving small loans to meet their credit needs for viable schemes, while there is heavy risk in financing the poor people though for viable and approved purposes. The co-ops, while undertaking the functions spelt out in its statutes, have not only necessarily to pursue a policy whereby it can expand and extend the area of rural credit and adequately serve the clientele, but they like any other financial institution, have also to adhere to certain basic principles so that the interest of depositors are properly served. These guiding principles are safety, liquidity and profitability. In adhering to the principle of profitability, the very objective to finance the weaker among the weak sections of the society is defeated. For example, at the time of their inception, there was no provision of commercial orientation

7. Report of the Review Committee, op.cit., p. 81.

but now RRBs are actively participating in commercial advances like transport loans to the tune of Rs. 60,000 and in some cases Rs. 1,00,000 for mini-truck.

However, the performance of the RRBs in terms of advances to weaker sections is satisfactory and is in accordance with the objectives for which they were established. A few gaps here and there may easily be filled in by intervention in the scheme by the government and the RRBs themselves. For the government it may be recommended that there should not be political interference in the working of the RRBs, and for the RRBs, the bankers should advise the borrowers as to how utilise the funds granted to them, make these credits more productive, earn profit from such credit and repay the original credit, and how the banks are important institutions to develop the economy of their place and to raise their present economic status.

As far as the deployment of funds in Eastern Region is concerned, the RRBs must increase the present level of credit and the advances to agriculture should be increased. If we compare the performance of RRBs with the commercial banks in terms of the above criterion, the former is found satisfactory in the sense that they are fulfilling the objectives and are doing those for whom they were fashioned, while the latter could not satisfactorily help the masses by calling the banking services in the far flung corners of the country.

If we compare the performance of individual RRB of Eastern Uttar Pradesh with other RRBs of the same age, the overall per-

formance of these RRBs, in terms of total advances and advances per branch, is found satisfactory except two or three RRBs. But it can not certainly be said only on the basis of advances (out-standing) because if the amount of outstanding advances is less, it may be due to two reasons :

1. The bank is advancing more and more, or
2. the bank is advancing less but the amount is not repaid by the borrower or say the recovery is poor.

As it is from the loans and advances out of the funds at the disposal of the RRBs the next biggest assets are the balances with other banks including cash-in-hand. Then there are other assets like investment in government securities and fixed assets etc. The breakdown of assets of RRBs of Eastern U.S. for the last four years from 1981 to 1984 are given in Paragraph 4.1.1. The balances of RRBs with other banks as at the end of June 1983 and June 1984 are given through the following table given on the next page.

Table 6.15 : The Balances of RRBs of Eastern Uttar Pradesh with Other Banks as at the end of

(Amount in lakhs of Rs.)

Sl. no.	Name of the RRBs	<u>Balances with Banks</u>		Increase/Decrease over prev. year	% Increase/Decrease over previous year
		June 1985	June 1995		
		Amt.	Amt.	Amt.	%
1.	Corakhpur Ksh. Gr. Bank	4436.69	5514.32	+ 1077.63	24.29
2.	Sanyut Ksh. Gr. Bank	1735.03	273.45	- 1461.58	-84.25
3.	Ballia Ksh. Gr. Bank	457.65	436.13	- 21.52	- 4.71
4.	Sultanpur Ksh. Gr. Bank	449.18	1535.78	+ 1086.60	241.91
5.	Saraswati Gr. Bank	-	379.29	+ 379.29	-
6.	Kaasi Gramin Bank	308.14	494.41	+ 186.27	60.45
7.	Basti Gramin Bank	522.00	980.00	+ 458.00	87.74
8.	Alighabad Ksh. Gr. Bank	151.62	151.62	-	-
9.	Pratapgarh Ksh. Gr. Bank	167.00	413.04	+ 246.04	147.33
10.	Faizabad Ksh. Gr. Bank	75.99	802.00	+ 726.01	955.40
11.	Devi Patan Ksh. Gr. Bank	1.53	319.66	+ 318.13	20792.81
12.	Gouti Gr. Bank	-	463.39	+ 463.39	-
13.	Vindhyavasini Gr. Bank	82.93	192.26	+ 109.33	131.83
Eastern Uttar Pradesh		8558.43	11960.87	+ 3402.44	39.75
		(62.61)	(56.81)		
West of Uttar Pradesh		5119.56	9094.70	+ 3975.14	77.96
		(37.39)	(43.19)		
All Uttar Pradesh		13677.99	21055.57	+ 7377.58	54.04
All India		60700.99	74248.69	+13547.70	22.32

Figures in brackets indicate percentages to total Uttar Pradesh.

Table 6.16 and Annexure 6-1 show that the balances of ~~with~~ of Eastern Uttar Pradesh with the A.I. and other banks have continuously been increasing but in 1986 the percentage of over all balances to that of total Uttar Pradesh declined but the balances of AIBs of Eastern U.P. are more than that of other AIBs of Uttar Pradesh. The increase in the balances with other banks may be due to the increase in deposit but we have seen earlier that the growth in the deposit mobilised by AIBs was 16.46 per cent in June 1986 over 1985 but the growth in the balances in the same period was 39.75 per cent. The additional increase may be attributed to the interest on the deposits with sponsor banks.

Thus, after detailed study of the management of funds by AIBs, it may be concluded that their performance is satisfactory. The tasks assigned to AIBs are tougher in the sense that they have to inculcate saving habits in the persons with small means and they have to finance those who have, until recently, remained neglected by other banking institutions. In this way the mass banking is being developed by the AIBs in place of class banking which was developed by the commercial banks. The AIBs, in spite of low resources at their disposal, are favouring poor against the rich while the commercial banks always favoured rich against the poor. But if some changes are not made in the present policy the AIBs may also detract from the present line because rich class has always been an attraction to the banks in the country.

4. CREDIT-DEPOSIT RATIO :

The fourth important parameter for judging the performance of any financial institution is the credit-deposit ratio (CDR). This ratio indicates the contribution of banks to the development of the area under its jurisdiction. Higher the CDR, the bank's interest in the development of the area is higher and vice-versa. It has been observed in an earlier chapter that commercial banks mobilised deposits at one place and deployed it at another place and thus perpetuated regional disparities. This was one of the reasons that the scheme of RRBs emerged with the marked feature of increasing the level of local deployment of deposits. In view of this, an analysis of credit deposit ratio attained by the RRBs would be an important indicator of their contribution to the development of the concerned region. In table 6.17, the CDR in respect of 13 RRBs of Eastern Uttar Pradesh as at the end of June 1985 and June 1986, alongwith the latest available ratio of the rural branches of commercial banks (as at the end of December, 1982) operating in Eastern Uttar Pradesh are given for the purpose of comparison. Although the commercial bank data relate to an earlier date, there is hardly any possibility of a drastic change in the position during the short intervening period, as such comparison is not likely to be vitiated.

Table 6.16 : Credit-Deposit-Ratios of 13 RRBs of Eastern Uttar Pradesh and Rural Branches of Commercial Banks in the same Region.

(Figure in per cent)

Sl. no.	Name of the RRBs	Name of the districts	CDR of RRBs as at the end of		CDR of Rural Branches of Sch. Comm. bank at the end of Dec. 1982
			June 1985	June 1986	
1.	Gorakhpur Ksh. Gr. Bank	Gorakhpur & Deoria	61.07	52.98	59.95
2.	Samyut Ksh.Gr.Bank	Azmagarh & Ghazipur	63.00	62.30	35.56
3.	Ballia Ksh.Gr.Bank	Ballia	83.11	82.02	41.16
4.	Sultanpur Ksh.Gr. Bank	Sultanpur	65.41	50.23	61.36
5.	Saraswati Gr.Bank	Bahraich	135.13	118.57	59.20
6.	Kashi Gr. Bank	Varanasi	108.98	102.09	66.56
7.	Basti Gramin Bank	Basti	82.11	54.14	49.30
8.	Allahabad Ksh.Gr. Bank	Allahabad	65.57	65.57	46.10
9.	Pratapgarh Ksh.Gr. Bank	Pratapgarh	78.53	56.20	27.92
10.	Faizabad Ksh.Gr.Bank	Faizabad	53.36	67.51	26.19
11.	Devi Patan Ksh.Gr. Bank	Gonda	95.55	76.35	49.48
12.	Gomti Gramin Bank	Jaunpur	74.27	72.63	28.41
13.	Vindhyavasini Gr.Bank	Mirzapur	37.76	42.11	61.11
Eastern U.P.			71.25	66.22	48.11
Rest of U.P.			92.22	91.10	-
All U.P.			81.34	78.30	41.52
All India			112.42	106.71	58.50

*Banking Statistics, Basic Statistical Return, Summary Results
Dec. 1981, Dec. 1982, RBI, Bombay, pp. 7,82,93,94.

The above table shows that the CDR in respect of all the 15 RABs of Eastern Uttar Pradesh taken together as at the end of June 1986 works out to 65.22% while that for rural branches of commercial banks in the same region worked out to 42.11% as at the end of December 1982. At All India level there was improvement in the CDR for the rural branches of commercial banks but in Eastern Region there has been no drastic change in this regard. The CDR for rural branches of scheduled commercial banks in Eastern Region is not available but at the end of September, 1986, the CDR for the whole region was 37.35% only and when the deposits and credit of RABs are excluded, the CDR over the same period comes down to 35.57% only. Thus, compared to rural branches of commercial banks, the performance of RABs in local deployment of deposits is distinctively superior. But the performance of RABs in Eastern Uttar Pradesh in terms of CDR can not be said satisfactory, because the ratio in the region is the lowest as compared to that in the rest of Uttar Pradesh (91.10%), All Uttar Pradesh (78.30%) and All India (106.71%) as at the end of June 1986. The inter-district comparison in Eastern Uttar Pradesh shows that the ratio was the highest at 118.57% in Saraswati Gramin Bank, Sahraich and the lowest at 42.11% in Vindhya-vasini Gramin Bank, Mirzapur. Ten RABs in Eastern Uttar Pradesh attained the CDR less than that of entire U.P. and when compared with All India's CDR, only Saraswati Gramin bank is found above it. It means that the performance of RABs of this region in respect of local deployment of deposits is actually inferior. While, being

one of the most backward and credit starved regions of the country, the CRR in Eastern Region should have been the highest.

Second notable feature, as it is clear from table 6.17 and various Annual Reports of the RRBs, is that their CRR at all levels, irrespective of district, region, State and the country, is continuously decreasing. The CRR for Eastern Uttar Pradesh at the end of June 1985 worked out to 71.25% which came down to 66.22% as at the end of June 1986. Over the same period, this ratio for whole U. P. came down from 81.34% to 70.30%; for rest of Uttar Pradesh from 92.22% to 81.10%; and for the country as a whole it came down from 112.42% at the end of June 1985 to 106.71% at the end of June 1986.

In the foregoing section we have seen that credit deployment in Eastern Uttar Pradesh, as compared to other parts of the State or the country, is not very satisfactory. Similarly the CRR attained by each RRB of Eastern Uttar Pradesh individually is lower and in some cases much lower than those of other RRBs of their age.

First of all we take the example of Gorakhpur Kshetriya Gramin Bank, which attained the CRR of 52.83% as at the end of June 1986. It is much lower than the CRR attained by four other banks of the country. The highest CRR among the five pilot RRBs was attained by Prathama Bank, Moradabad (155.03%) followed by Jaipur-Bangalore Auch. Gramin Bank (121.31%), Ugar Gramin Bank (99.17%); and Haryana Kshetriya Gramin Bank (63.18%). More or less similar position is found in every RRB of this region in

comparison with other RRBs. Further, we take, for example, the Vinayavasini Gramin Bank, the latest RRB of Eastern Region, which attained the lowest CR (42.11%) not only among the 12 RRBs of Eastern Uttar Pradesh but also among five RRBs established in 1983, in Uttar Pradesh. The CR attained by Jamuna Gramin Bank as at the end of June 1983 was 133.92%, being the highest among those five RRBs established in 1983, followed by Vidur Gramin Bank (61.33%), Arya Gramin Bank (63.17%), and Shahjahanpur Khetriya Gramin Bank (52.81%). The above analysis of CR ratio reveals that the performance of all RRBs of Eastern Uttar Pradesh in terms of Credit-Deposit ratio is very poor and disappointing.

Thus, in the study of CR of RRBs, the following main points emerge :

1. Bank CR's CR in Eastern U.P. is below the All India average CR of 1983
2. The CR ratio for the RRBs in Eastern U.P. is lower than that for other RRBs of the State.
3. The CR ratio for the RRBs in Eastern U.P. is decreasing while in case of other RRBs it is increasing. Eastern U.P. is starved of credit, and it actually needs more credit deployment.
4. The performance of RRBs of Eastern U.P. in comparison with the performance of other RRBs is unsatisfactory and disappointing, but compared with the rural branches of commercial banks, the performance of RRBs in local deployment of deposits is distinctly superior and favourable. Thus "considering that the RRBs had restrictive

provisions in regard to their clientele for loaning, the record was commendable.⁸ But after considering the areas of operation of NABs and other commercial banks, the performance of the former in comparison with the latter, in terms of credit-deposit ratio, should not be said much satisfactory.

So the NABs should increase the present level of credit deployment and thereby the CR ratio for the economic development of this region in particular and of the country in general, and improve their profitability. In the conference of the Chairmen and Managing Directors of NABs, held on 5th and 6th May, 1967 in Lucknow, it was decided that the branches which are having low CR ratio may endeavour to improve the CR ratio upto an optimum level of 100% which will enable them to achieve viability and improve their profitability.⁹ Practically the attainment of 100% CR ratio involves some constraints, so it should not be less than 75%.

5. RECOVERY OF LOSSES

Recovery of loans by banks enable them to play the game of recycling the resources of the State. Better recoveries increase the resources for further lending and improve the profitability of the banks and vice versa. Banks are said to have an important role for the economic resurgence of any economy because they are primarily instruments of recycling waste's resources, but this game

8. Report of the Review Committee, op.cit., p. 52.

9. Proceedings of the Conference, NABARD, Lucknow (unpublished)

can not be played low, enough if the recovery is not adequate. The role of Banks in this regard becomes more important keeping into account (i) the objectives for which they were established and (iii) their limited resources.

The data relating to the recovery of loans from different sectors separately are not available either in the "Statistics on Loans" or in the Annual Reports of the Banks. The recovery performance of Banks are, therefore, judged on the basis of data available relating to the total overdues and the per cent of overdues to outstanding advances. Lower the percentage of overdues to outstanding advances, better is the recovery performance and higher the percentage, poorer is the recovery performance. In the outgoing section of this chapter, the outstanding advances of all the Banks in Eastern U.P. individually and collectively had been shown. Here only the amount of overdue advances are taken in order to find out the recovery performance of Banks. The following table shows the overdue advances and percentage of overdues to demand of all the 13 Banks of Eastern Uttar Pradesh as at the end of June 1955 and 1956.

Table 5.17 : Overdue Advances and their proportion to Outstanding Advances of RRBs in Eastern Uttar Pradesh.

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	Overdue Advances		% of overdues to O/s	
		June 1985 Amount	June 1986 Amount	June 1985	June 1986
1.	Gorakhpur Ksh.Gr. Bank	-	579.21	-	19.5
2.	Samyut Ksh. Gr. Bank	438.21	431.50	24.4	18.7
3.	Ballia Ksh.Gr. Bank	357.56	373.88	33.9	23.4
4.	Sultempur Ksh.Gr. Bank	252.43	211.12	26.2	19.4
5.	Saraswati Gramin Bank	73.75	43.98	10.5	4.7
6.	Kashi Gramin Bank	102.42	215.01	17.1	26.4
7.	Basti Gramin Bank	98.00	107.00	18.0	19.2
8.	Allahabad Ksh.Gr. Bank	80.63	80.63	21.9	21.7
9.	Pratapgarh Ksh.Gr. Bank	28.16	121.44	7.4	30.9
10.	Unkhabad Ksh.Gr. Bank	19.85	34.99	13.2	21.8
11.	Devi Patan Ksh.Gr. Bank	97.57	114.60	28.0	24.8
12.	Gouti Gramin Bank	46.89	98.31	10.6	18.1
13.	Vindhyavasini Gramin Bank	4.79	14.71	9.1	12.8
Eastern Uttar Pradesh		1600.26	2476.38	15.8	19.7
Rest of Uttar Pradesh		3155.97	4516.87	25.9	27.7
All Uttar Pradesh		4756.23	6993.25	33.0	24.2
All India		27849.36	39142.78	23.4	25.4

From the data shown in the above table, the recovery performance of all RRBs of Eastern Uttar Pradesh as a whole appears

quite satisfactory and encouraging inasmuch as overdues to total outstanding advances formed only 15.8% and 19.7% as at the end of June 1985 and June 1986 respectively. This percentage for the whole State of Uttar Pradesh formed 33.0% and 24.2% and for all India 23.4% and 25.4% over the same period respectively. Being the lower ratio of overdues to outstanding advances in Eastern Uttar Pradesh than that of All Uttar Pradesh, the recovery performance of RRBs in the region may be misunderstood as satisfactory but in real sense it is not so.

The recovery in RRBs of Eastern Uttar Pradesh is poor because of the following reasons :

- (a) Firstly, it is clear from table 6.18 that the ratio of overdues to advances (outstanding) in Eastern Region increased from 15.8% in June 1985 to 19.7% in June 1986 whereas this ratio for All Uttar Pradesh over the same period decreased from 33.0% to 24.2%.
- (b) Secondly, the credit deployment in proportion to deposits in Eastern Uttar Pradesh has been poorer than that at All Uttar Pradesh level. We have seen it in the foregoing section. The ratio of overdues to outstanding advances in Uttar Pradesh will be high, provided the level of recovery remains unchanged.

The table does not reveal as to in which sector the recovery has been good and in which sector it has been poor. But after a number of interviews with the branch managers and officers of

sponsor bank branches, and A&B branches, it was found that the recovery of loans granted under government schemes and for agricultural purposes is very poor while in other sectors it has been good. However, the recovery problems, at present, have assumed larger dimensions. Following reasons may be attributed to the poor recoveries of loans granted by ARBs.

- (i) The first and foremost reason is the zeal and enthusiasm shown at the time of granting the loans, but which are absent at the time of recovery. The Block authorities and other government agencies are found interested only in the identification and selection of beneficiaries and in propagating the distribution of loans through Credit Camps so that the targets are achieved. But they are least bothered for the repayments of these loans.
- (ii) The beneficiaries are, in most cases, wrongly identified and their projects for which the loans are to be given are approved and verified without considering its feasibility. Its effect is such that the borrowers do not find themselves in a position to repay the loans. For example, the loans under any government scheme are distributed to ten or twenty persons at a time and belonging to the same place and for the same purpose. This is done just to achieve the target, without considering the other economic factors such

as availability of raw material, labour, energy, production capacity and supply, availability of the service, and market conditions.

(iii) There is a dearth of employees in desired number in the BDCs. As a result of which the employees are over-burdened to the extent that the Branch Managers have no time to supervise the borrowers' activities whether they are utilizing the funds properly or not. They have to simply depend on the bank facilities. A branch manager has to prepare 62 statements every month, how can he spare time for the banking hours for the monitoring, follow up, supervision and control of bank credit? In other words, the overburdened branch manager or field supervisor finds it impossible to contact the borrowers from time to time and thus, the realization of instalments is greatly hampered.

(iv) The BDCs have to make advances for socio-economic purposes in accordance with the national objectives laid down by the government. They have to lend to priority sectors only and that too in the limited amount, to the neglected sectors of the economy, to the people in rural and backward area. The rural people are frequently hit by floods and famines and they come to such pitiable plight that the government takes a lenient attitude in realizing loans from these distressed people.

- (v) The branch managers have no legal authority which may be exercised in realising instalments of loans. As a result, the borrower knows well that the branch manager can do him no harm on account of non-payment. Such a fearless attitude of the borrower makes him careless and irregular in repayment which directly tells upon the lending capacity of the bank.
- (vi) It is an every day observation that when no action is taken against a borrower (defaulter) on account of his non-payment, the borrowers follow his examples and they too grow indifferent towards repayment.
- (vii) Other distressing fact responsible for the depressing loan realization is the geographical condition in which the employees perform their duties. Lack of transport facilities in the remote areas is one of the hurdles which makes it very inconvenient for the employees to contact the rural public.
- (viii) Loans are generally given without considering the ability and willingness of the loan applicant to repay.
- (ix) The tendency of the transferee branch managers towards bad and irregular accounts also affects the branches and the recovery prospects. It is seen that "when managers are transferred, mostly the incoming managers spend their time in doing post mortem of bad/irregular accounts of their predecessors thinking that by so

doing they will get a good name. But in fact little do they realise that in their previous lapses, they might have also left bad and irregular accounts which could be exposed by the auditors. This sort of too loose towards bad and irregular accounts on the parts of some managers to sign on the back to say that their predecessors only are responsible for all the irregularities in the credit portfolio will have a very unhealthy effect on the branches and the recovery aspects."

(2) Political interference may be said to be another reason of poor recovery.

In the poor recoveries and low C.R. ratio in India, it is often argued that when the facilities of re-financing and credit guarantee are available to them, why these banks do not increase their C.R. ratio and why should they be bothered for recoveries. The answer is, the banks should learn to stand on their own feet. They should be economically viable. Recovery affects the funds at their disposal. Within the geographical territory of so large a country there are millions of people who are to be serviced and their needs are growing, the re-financing should not be the major sustaining influence of the activities of the banks. Thus, for recycling of funds, improving the profitability, and making the banks economically viable, the attention should be paid to the recovery aspect. In this connection the following suggestion may

10. Rao, B. Narasimha : "Current Trends in Indian Banking" Deep & Deep Publications, New Delhi, 1984, p. 49.

be considered with a view to improving the recovery of loans/
 11
 advances :-

1. As recovery work needs special skill and attention, the banks may consider appointing some retired court officials connected with recovery, execution of decree, auctioning etc. This step may yield good results. They may be absorbed on contract basis.
2. Banks may celebrate recovery week or fortnight once in half year focussing public attention on the importance of bank funds coming back for recycling.
3. Staff members may be encouraged in the task of recovery of advances of every type whether it has gone to court or not and suitable incentives may be given to them if they show results.
4. Remission of penal interest may be considered for defaulting borrowers in genuine cases. For prompt payment rebate in interest may be offered to induce people to be regular.
5. Out of court settlements may be encouraged, if payments are forthcoming in a lumpsum with some concession shown.
6. Branches recovering bad and irregular advances in record time should be rated high in performance.
11. Rao, B. Ramchandra "Current Trends in Indian Banking", op.cit., p. 50.

7. In branches where overdrafts are beyond a particular level, fresh advances may be considered at a low key taking into consideration the efforts the branch has to make in recoveries.
8. The legal advisors may be impressed upon to conduct the suit and execution of decrees without much delay.
9. Follow up of claims filed with credit guarantee Organisation (C.G.O.), Deposit Insurance and Credit Guarantee Corporation (DIC & CIG), should be made vigorously.

Since the credit flows purpose wise, scheme wise, sector-wise and area wise, the analysis of the recovery position should have also been in accordance with it. The data on recoveries of loans granted under various schemes, for different purposes and to different sectors are not available, either in the Annual Reports of the RRBs or in any publication of the RBI and NABARD. NABARD should make its publication more comprehensive.

6. QUALITY OF LENDING :

The RRBs are, no doubt, making conscious efforts to reach their clientele. The quality of lending in RRBs seems better than in commercial banks keeping into account their categories, the status of the employees of both types of banks, the nature of their working, and the geographical and social situations in which these two types of banks operate. The RRB branches are in a better

position to convert business in their common areas compared to commercial bank branches while the employees of ADB branches are over-burdened. The number of employees posted in ADB branches is less than that in commercial bank branches, whereas the area of operation of the branches of both types of banks and the population covered by them are more or less equal.

As per Census of 1981, the area and population covered per branch of ADBs in Eastern Uttar Pradesh was 74.48 sq.km. and 0.36 lakh persons respectively as at the end of June 1986. This figure for commercial banks in the same region was 70.66 sq. km. per branch and 0.34 lakh persons per branch as at the end of September 1986. We have already seen that commercial banks always favour large against the small and rich against the poor and thus perpetuate the regional disparities even after the nationalization whereas the ADBs, by reaching the hitherto neglected persons, reduce these disparities. Thus, the performance of the latter in creating awareness among rural population towards banking is far better and laudable. The ADB branches do not merely depend on the volition of weaker sections to borrow but also utilise their field staff for canvassing business by contacting prospective borrowers in their areas. Further, due to their rural character, the ADB branches have better rapport with villagers.

The loan application forms of ADBs are brief and generally simpler than those of commercial banks and since the literacy rate in rural areas is lower and the villagers do not know much about

banking, the branch staff of A.B.s help them fill in the loan application forms. Although the same thing applies to the rural branches of commercial banks also, they show lesser interest in this regard. As compared to R.B.s branches the time is also wasted in the commercial bank branches at the time of drawing the deposits.

So far as the date of application and date of disbursement of loan are concerned, they depend upon the types and nature of loan. Whether the loan is to be sanctioned under government scheme such as IAMP etc. or it is to be sanctioned under bankable schemes. In the former case, the implementation is fast while in the latter, the implementation is slow. In government scheme, the loan is disbursed within a period of one week from the date of application provided the selection of beneficiaries is proper. The same criterion, i.e., the proper selection of beneficiaries, also applies to bankable schemes but generally more than a week is taken in disbursement. In case the selection of borrowers is not proper, irrespective of government and non-government schemes, much time is taken in disbursement and sometimes the application is also rejected. The acceptance or rejection of loan application also depends on the viability of the projects for which loan is demanded. For example, at a village branch of Nanyat Kshetriya Credit Bank in Azamgarh, a lady applied for a loan under self-employment scheme to purchase a horse for her Tonga. The branch manager rejected the application finding the identification of that lady as wrong and that she would not drive Tonga. On the rejection of application the branch manager was politically pressurised, and ultimately the loan was sanctioned to the lady for that purpose.

As far as the amount applied for and amount sanctioned are concerned, they depend on the purpose for and area in which the amount of loan is to be utilised. Whether will it be for working capital or fixed capital, it will be utilised at rural centre, or urban centre, at a place with under population or at a place with over population. Thus, the difference between the two amount (i.e., amount applied for and sanctioned) totally depends on the viability of the schemes or projects. If for example, one applies for a sum of Rs. 25,000 for opening a tea stall in a village, it is not natural that the whole amount of Rs. 25,000 can now be utilised for the stated purpose and will now, therefore, be fully sanctioned. Contrary to this, if one applies for the same amount with the objective to purchase a taxi or auto-rickshaw, the loan seems more secured from banker's point of view and will, therefore, be fully sanctioned.

As regards the rates of interest charged by the ARBs and commercial banks they differ in both the points. Charge in ARBs is higher than that in the commercial banks. It is observed that the ARBs generally charge 12.5 to 14 per cent on crop loans, 13 to 14 per cent on term loans for agricultural purposes and 14 to 16 per cent for non-agricultural purposes. It has already been mentioned that interest on loans under government schemes is 10 per cent and under MID scheme 4 per cent per annum. The commercial bank rates for crop loans being 10.5 to 15 per cent, 10.5 to 16 per cent on term loans for agricultural and non-agricultural purposes depending upon the loan accounts. Thus, the

1930s, catering to the weaker sections of rural areas are dispensing credit at higher rates of interest, while commercial banks, perceiving credit to other relatively better off sections, charge lower rates of interest.

Thus, RBI staff are making conscious and concerted efforts in catering to the credit needs of weaker sections of rural population. In this regard the RBI branches have an edge over commercial bank branches, but the cost of borrowing from the RBI is higher.¹²

7. REFINANCE AND BORROWINGS :

Having regard to the main purpose of RBI, viz., bridging credit gaps in relation to the weaker sections, a number of special features have been built into the RBI scheme. One of those special features is the provision of refinance facilities from various institutions, namely, BANKERS, sponsor banks, and RBI. Before the establishment of RBI, the apex institution in the field of rural finance, the RBI were allowed refinance assistance by RBI and BANKERS also. The refinance facilities to the RBI are available under certain conditions and at a concession rate of 3 per cent below the Bank Rate.

Thus, the refinance and borrowings from various institutions form a part of the resources at the disposal of the RBI for deployment.

ment from the weaker sections. But the scope of augmenting resources by this way or by other ways, other than foreign mobilisation is not intimated. The availability of resources under various refinancing facilities depends upon the scale of eligible lending operations of the banks under the various schemes.

The refinancing facilities are provided to the banks so that they may provide flexible credit assistance to the beneficiaries.

To present the refinancing facilities available to banks from RBI, sponsor banks and IDBI may be divided into two (a) schematic refinancing; (b) non-schematic refinancing. Schematic refinancing means those assistance which are available to banks for financing weaker sections under government schemes or bankable schemes. Such refinancing facilities are available to those banks which fulfil the criteria fixed by the RBI. The eligibility criteria for refinancing from National Bank under schematic lending for banks are given in Annexure 6-1. Non-schematic refinancing means the assistance under general line of credit consisting of short term credit and medium term credit. Schematic refinancing is further divided into two (a) automatic refinancing scheme, and (b) approved refinancing scheme. Under the former scheme, refinancing facilities are available from RBI and IDBI for eligible advances under government schemes while under the latter, refinancing facilities are available for bankable schemes.

Out of the total refinancing assistance (vide table 6.19), the major portion comes from RBI followed by sponsor banks and other institutions. In other words, National Bank plays a leading

Table 6.19 : Refinance Available by RRBs of Eastern U.P. from Various Institutions as at the end of September 1984.

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	Amount of re-finance from		
		NABARD	Sponsor Banks	Other Institutions
		Amount	Amount	Amount
1.	Varanasi Ash. Cr. Bank	1414.25 (51.16)	477.06	-
2.	Chhapra Ash. Cr. Bank	670.52 (22.57)	120.79	30.70
3.	Meerut Ash. Cr. Bank	-	-	-
4.	Aligarh Ash. Cr. Bank	257.33 (9.29)	15.17	9.93
5.	Meerut Ash. Cr. Bank	263.50 (9.61)	-	-
6.	Meerut Ash. Cr. Bank	210.13 (7.90)	73.54	-
7.	Meerut Ash. Cr. Bank	430.43 (15.07)	-	-
8.	Meerut Ash. Cr. Bank	156.90 (5.73)	37.09	-
9.	Meerut Ash. Cr. Bank	171.32 (6.21)	30.00	-
10.	Meerut Ash. Cr. Bank	22.07 (0.81)	-	-
11.	Meerut Ash. Cr. Bank	154.55 (5.79)	-	-
12.	Meerut Ash. Cr. Bank	233.93 (8.33)	65.84	-
13.	Meerut Ash. Cr. Bank	2.32 (0.08)	-	-
Eastern U.P.		4000.00 (14.76)	927.43	38.63
Rest of U.P.		3426.13 (12.85)	904.54	178.60
All U.P.		7515.12 (27.61)	1791.02	217.23
All India		46232.44 (16.79)	15641.04	816.73

(Figures in brackets show the percentage of re-finance to total loans outstanding).

role in implementation of the I.D. Programme by providing the financial support to banks in respect of their lendings, both farm as well as non-farm under the programme.

The above table reveals that total refinancing under various lines of credit and from various institutions to State of Eastern Uttar Pradesh at the end of December 1954 stood at Rs. 5115.13 lakhs which forms 51.23 per cent of the total loans outstanding of these States. This figure for all Uttar Pradesh is 33.33 per cent and for all India 64.40%. Out of the total refinancing to State of Eastern Region Rs. 4500.13 lakhs came from Central only which works out to 43.55 per cent of the total loans outstanding.

Along with the proportion of refinancing to loans outstanding of all State of Uttar Pradesh was 33.33 per cent. These percentages vary from one State to another. However it is clear from the above table that maximum refinancing are available from

Central. The present position of the refinancing scheme of I.D.P. is as under :

1. All purposes under farm and non-farm sectors approved by National Bank are eligible for refinancing under I.D.P.
2. Scheduled Commercial Banks, Co-ops and cooperative banks are eligible banks under the scheme.
3. Annual Block Plans prepared by State Govt approved by the Standing Committee or in their absence the I.D.P. included in the Annual Action Plan under the DCF prepared
13. Bostogi, A.K. "National Bank's Refinancing support for I.D.P.", Paper brought by IIR Lucknow 1956, pp. 2-3.

of the loan bank, form the basis of disbursements of loan by the eligible banks for obtaining refinance from the National Bank.

4. Refinance is provided to the extent of 95 per cent of the loans given by the banks.
5. Rate of interest on refinance assistance provided to the banks is 7 per cent per annum, and financing banks are allowed to charge interest from private individuals at a rate not exceeding 10 per cent per annum.

4. Financial Position :

During the entire period of which the financial position of the bank is the subject in this report Rs. 634.71 lakhs out of Rs. 67.46 lakhs during the whole period provided with the aid of National Bank through to the end of December 1965. It is 61.95 per cent of total reserves and surplus is 1.7% and 27.30 per cent to that of All India. Since 1951 the reserves and surplus continued to increase from Rs. 102.14 lakhs as at the end of December 1951 to Rs. 424.71 lakhs as at the end of December 1965. The following table depicts the position of reserves and surplus of bank in Eastern Uttar Pradesh.

Table 6.19 : Recovery and Limit position of the Eastern
State Banks as on 30.06.86

(Amount in Lakhs of Rs.)

Sl. No.	Name of the RRBs	1981 Amt.	1982 Amt.	1983 Amt.	1984 Amt.	1985 Amt.
1.	Gorakhpur Ksh.Gr. Bank	67.31	124.45	196.55	269.08	350.75
2.	Sanyut Ksh.Gr.Bank	4.60	13.20	23.92	30.42	45.61
3.	Ballia Ksh.Gr.Bank	8.13	8.02	8.31	8.31	-
4.	Sultanpur Ksh.Gr. Bank	12.04	16.06	19.86	20.69	28.35
5.	Saraswati Gramin Bank	1.01	1.01	-	-	-
6.	Kashi Gramin Bank	0.43	0.43	0.43	0.67	-
7.	Basti Gramin Bank	0.69	0.70	0.70	-	-
8.	Allahabad Ksh.Gr. Bank	0.59	0.59	0.59	0.59	-
9.	Pratapgarh Ksh. Gramin Bank	1.00	1.00	1.00	1.00	-
10.	Faizabad Ksh.Gramin Bank	1.16	1.16	1.16	1.16	-
11.	Devi Patan Ksh.Gr. Bank	4.46	8.88	0.92	-	-
12.	Gomti Gr. Bank	0.72	0.72	0.71	0.71	-
13.	Vindhyavasini Gr. Bank	-	-	1.30	1.30	-
Eastern U.P.		102.14	176.22	254.45	333.93	424.71
Rest of U.P.		56.16	87.35	132.80	201.61	277.09
All U.P.		158.30	263.57	387.25	535.54	673.45
All India		537.58	859.23	1244.40	1350.04	1527.92

The performance of SSBs in creating the reserves and surplus, as it is clear from the above table, is very disappointing. Amongst the North-east, Assam and Manipur SSBs, there is no reserve in any of this region. The reserves created by these SSBs altogether constituted 13.36 per cent of the total reserves of S.S.B.'s SSBs. From the reserves position it may be said that out of 13 only 3 SSBs are viable because a bank is said to be viable if it attains a level of loan business giving it an income level which would enable it to meet not only all the expenses but also help it build a minimum reserve over a period of time. Judged on the basis of reserves at all India level we find only 43 SSBs out of 133 as viable as at the end of December 1985 because they are generating income to the extent that after meeting all the expenses they are in a position to make reserve. The position of most of the SSBs among those not having any reserves is such that they have even eaten up their capital and the remaining are on the verge of it. The accumulated losses are increasing over, year. The main reasons behind their non-viability are

1. The resources of SSBs are very limited. The structure of equity capital which is a small fraction part of the total resources remained unchanged over a period of 12 years. Every SSB incorporated with an authorized capital of Rs. one crore, has 25 lakhs rupees as its called up and paid up capital. The nominal amount of credit of every sector has increased. The equity capital should be 10-

amount. Some of the witnesses pointed out the advantages capital should be fixed at Rs. 5 lakhs and called up as paid up capital should be not less than Rs. one crore. This idea is feasible and keeping into account the increasing demand for credit, importance of this with special reference to weaker sections of the society and their working capital, it seems necessary to increase the paid up capital. The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development and other Committees have also recommended raising of the capital.

The Government did not accept the recommendation of the Committee to raise Arrangements for Institutional Credit for Agriculture and Rural Development and suggested Committee to raise the losses incurred by this as good every year and fixed the share of the shareholders in the same proportion as they hold shares in this. The Committee observed that it needs to be recognized that this will incur losses in the initial years. It is, therefore, recommended that the losses incurred by a share should be met good mainly by the shareholders, viz., 50%, Government single Government and the sponsor bank in the same proportion as their share holding. In addition, the capital, which is presently at Rs. 25 lakhs may be raised up to Rs. 100 lakhs. This provision may be made that the Government, the 50% and the sponsor bank should

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 soon." The Working Group on 1976 (1976) had also
 covered that such liquidations would incur losses in the
 initial year which would be a price worth paying, for the
 achievement of the large social objective of widening
 the area of credit coverage. If the government had
 accepted the recommendation of the Committee to review
 arrangements for institutional credit for agriculture and
 rural development, this proposal would have had effect.
 At this time the situation was so improved that shareholders
 should have covered the accumulated losses of 1976 in pro-
 portion to their share holding because due to the accu-
 mulated losses, the share capital of many firms stands
 considerably eroded.

1. MEMBERSHIP OF RMG :

The management of RMG can be studied with reference to
 the groups -- (1) Board of Directors; (2) Secretariat and
 Training of Staff.

(1) Board of Directors :

According to Section 2 of RMG Act 1976, the general
 superintendence, direction and management of the affairs of the
 business of RMG shall vest in the Board of Directors and Section
 3 stipulates the strength of the Board of Directors upto 9 but not
 more than 15. The Board is to comprise of members nominated by

the GOI (including the Chairman), nominees from the State Government, and from the Sponsor Bank. The Boards of all RRBs of Eastern U.P. are on this pattern. One or two post of directors are lying vacant in some RRBs. For example one in Gomti Gramin Bank and two in Gorakhpur Kshetriya Gramin Bank.

The Chairman of a RRB, though the nominee of GOI, comes from the sponsor bank. In the matter of selection and appointment of Chairman of the RRBs, the procedures adopted by the sponsor banks seem to vary from one sponsor bank to another. Some of them appoint officers in the senior management cadre. Experience seems to show that not all Chairmen have succeeded¹⁵ in building up the banks. Most of the officers interviewed are of the view that the Chairman of a RRB must not be from the sponsor bank. When there is provision of the appointment of three directors from the sponsor bank why should the Chairman come from the sponsor bank. The GOI should nominate the Chairman from the senior cadre who are retired from the Ministry of agriculture, rural development or finance. A person appointed as Chairman should have suitable background, orientation and attitudes, apart from requisite banking experience. Being the sponsor bank's employee the chairman acts in the interest of the sponsor bank. They have least interest in the development of RRBs. It has also been seen that many fictitious loans are distributed by the branch managers bring^{ing} it into the knowledge

15. Proceedings of the First Conference of RRBs, p. 34.

of their Chairman. Since the Chairman is on deputation and he has to show the business, he does not care for such fictitious loans. Besides, the Chairmen visit their head offices at short intervals and their T.A. and D.A. are met by the RRBs. Keeping a strict watch on controllable expenses like T.A./D.A. and other miscellaneous expenditure was emphasised in the Conference of the Chairmen and Nominee Directors held on 5th and 6th May 1987 at Mumbai.

In spite of this, there is centralisation of power with the Chairmen. The employees of the RRB does not very much obey his immediate boss because he knows that his boss can not take disciplinary action against him. For better working of RRBs and disciplining the employees authority must be delegated to the managers of different sections.

(ii) Recruitment and Training of Staff :

Under the RRBs Act 1976, the RRB may recruit officers and other employees required for efficient performance of its functions. In this regard the Working Group had suggested that the recruitment of staff should be made from within the area of operation of respective RRB.

Until recently no uniform practice was followed by RRBs in the matter of recruitment. Some of banks had entrusted the work to SBI. In some cases sponsor banks undertook the recruitment. In some cases it appeared that RRBs themselves did the work. The selection process followed in the banks consisted of

written test and interview. In a few banks selection had been made on the basis of written test or interview only. The selection committees which were assigned the task of conducting interviews were constituted by the Board. The above procedure of selection of RRB employees suffered from many irregularities. For example, unnecessary delay in recruitment and lack of manpower planning retarded the branch expansion programme. There was complaints of corrupt practices also. The Steering Committee on this felt the need for uniform guidelines in the matter of recruitment and promotion. Now the recruitment in the RRBs has been centralised at the State level. For example, the recruitment in RRBs all over U.P. will now be done by the Banking Service Recruitment Board, Lucknow on the basis of written test and interview. For the first time the Board advertised the vacancies of RRBs in July 1937.

In spite of their own recruitment of employees, there is also provision of deputation of officers and other staff from the sponsor bank subject to the requirements of, and on the request of the RRB during the first five years of its working. At present, the staff of RRBs comprise of both direct recruits and on deputation staff. The staff position in RRBs of Eastern Uttar Pradesh as at the end of June 1936 is shown through table 6.21.

Table 6.20 : The Staff Working in Banks of Eastern Uttar Pradesh as at the end of June 1936.

Sl. No.	Name of the Banks	Officers	Clerks	Subordinate staff	Total	Of which SC/ST	Total trained staff
1.	Gorakhpur Ksh.Gr. Bank	519	408	5	932 (5)	158 (5)	814
2.	Sanyut Ksh.Gr. Bank	267	335	5	607 (4)	91	571
3.	Ballia Ksh.Gr. Bank	152	115	5	272 (3)	30	218
4.	Sultanpur Ksh.Gr. Bank	191	207	2	390 (4)	51	297
5.	Barabanki Gr. Bank	175	127	2	304 (4)	26	236
6.	Kashi Gr. Bank	138	115	3	256 (3)	54	200
7.	Basti Gramin Bank	166	109	1	276 (3)	17	275
8.	Alighanj Ksh.Gr. Bank	125	86	1	212 (3)	30	98
9.	Pratapgarh Ksh.Gr. Bank	120	98	4	222 (3)	25	121
10.	Faizabad Ksh.Gr. Bank	87	90	1	178 (3)	24	122
11.	Devi Patan Ksh.Gr. Bank	155	111	5	271 (4)	28	227
12.	Deoti Gramin Bank	131	78	2	211 (3)	17	184
13.	Vindhyavasini Gr. Bank	87	48	3	138 (4)	17	87
Eastern U.P.		2303	1927	39	4269 (4)	568	3450
Rest of U.P.		3119	2616	64	5799 (4)	1023	4419
All Uttar Pradesh		5421	4543	103	10067 (4)	1591	7869
All India		23692	22055	384	46131 (4)	7628	35693

Fig. in brackets show the percentage of subordinate staff to total.

The above table shows that out of 4269 staff 3450 (81%) were trained staff in Eastern Uttar Pradesh as at the end of June 1986 while in Uttar Pradesh 78 per cent were trained staff. It was only 77 per cent at All India level. As regards the recruitment of SC/ST candidates, 13.3 per cent staff of RRBs in Eastern Uttar Pradesh belong to these communities. This percentage is lower than those of All U.P. (17.6 per cent) and All India (16.5 per cent). But the proportion of SC/ST and trained staff to total staff has continuously been increasing except in few banks. Table 6.21 shows the percentage of SC/ST and trained staff to total for two years.

Table 6.21 : Proportion of SC/ST and Trained Staff in Eastern Uttar Pradesh recruited by the RRBs.

Sl. No.	Name of the RRBs	At the end of June, 85		At the end of June, 86	
		% of SC/ST staff to total	% of trained staff to total	% of SC/ST staff to total	% of trained staff to total
1.	Gorakhpur Ksh.Gr. Bank	16.45	77.33	16.95	87.3
2.	Sanyut Ksh.Gr. Bank	13.89	49.95	14.99	94.1
3.	Ballia Ksh.Gr. Bank	12.32	79.71	11.03	80.1
4.	Sultanpur Ksh.Gr. Bank	10.36	71.20	13.08	76.2
5.	Saraswati Gramin Bank	14.04	59.59	8.55	77.6
6.	Kashi Gramin Bank	24.22	63.68	21.02	78.1
7.	Basti Gramin Bank	6.88	80.07	6.16	99.6
8.	Allahabad Ksh.Gr. Bank	14.15	46.23	14.15	46.2
9.	Pratapgarh Ksh.Gr. Bank	7.34	75.14	11.26	54.5
10.	Faizabad Ksh.Gr. Bank	8.73	80.16	13.48	68.5
11.	Devi Patan Ksh.Gr. Bank	6.51	74.33	10.33	83.8
12.	Gostli Gramin Bank	7.41	77.31	8.06	87.2
13.	Vindhyavasini Gramin Bank	15.54	50.39	12.32	63.0
	Eastern U.P.	12.99	68.06	13.30	80.8
	Rest of U.P.	16.33	67.88	17.64	76.2
	All U.P.	14.87	67.96	15.90	79.2
	All India	15.58	70.39	16.53	77.4

We have already seen in Chapter 4 that 21.20 per cent of the total population of Eastern U.P. belongs to SC/ST communities and the recruitment of the candidates belonging to these communities in RRBs is only 13.3 per cent of the total RRB staff. However, all the staff recruited by the RRBs are mostly rural oriented and having local touch. It was also seen that the persons belonging to one district have been appointed in another adjoining district though belonging to the rural areas. In this way the main feature of RRB concerning "local feel and familiarity with rural problems" as emphasised by the working group on RRBs (1975) is violated. It will be in the best interest of the RRBs as well as their staff if the local persons are given preference in appointment. For example, persons belonging to one district must be appointed in the same district and more preferably at the place where he belongs to. It will, no doubt, have some bad effects but in most of the cases it may have good effects if the employees are dealt with firmly. So far as the bad effect is concerned, it has been the experience that the local staff if they are from the same place where the branch operates is not very much useful to develop business they have been responsible in many cases to create trouble because they are from the same place. But it is only when they are given free hand or no action is taken against them for their carelessness towards banks and for creating trouble. Their individual working performance has not been linked with their services. Contrary to this if the performance of individual employee is made an essential condition for his promotion,

if sufficient provisions are made for the punishment of an employee for his carelessness etc. there is no reason to believe that the appointment of local persons in local branches will not be useful. The business of the RRBs may develop very easily and they may become viable institutions because of various reasons, viz., (i) local staff can get more deposits from known people on the basis of his personal contracts; (ii) local staff shall advance to real needy persons at the right time as he knows about the economic and social condition of the borrowers provided the timely monitoring of credit is done by the Head Office. There is a fear that under the local pressure he may finance to such persons who are close to him. Action must be taken against such staff on the complaint of the weaker sections and local social workers and not professional politicians; (iii) recovery will be improved provided the local staff is held responsible for bad recovery and fictitious loans.

As observed earlier that there has been provision of deputation of staff from the sponsor bank during the first five years of its working. The sponsor banks generally lend their staff to work as general managers or managers for 5 years. Experience of working of some of the RRBs has shown that in the period of 5 years, essential items of work relating to institution building, such as setting up of a machinery for control/monitoring of branches, audit and inspection thereof etc. could not be completed. Withdrawal of staff disregarding the requirements of RRB had only resulted in slowing down their progress. So recognising the need

for continued staff support from the sponsor bank to the RRB, CRAPICARD had recommended that such support should continue for ten years. The period of deputation of Chairman was also extended upto 10 years. Some banks have completed even more than ten years of their working but still there are deputed staff in RRBs. For example, first four RRBs of Eastern U.P. have completed 10 years or more, but they have still a few staff from their sponsor banks. Table 6.22 shows the position of deputed staffs from the sponsor banks.

Table 6.22 : Staff in RRBs of Eastern U.P. Deputed by Sponsor Banks

Sl. No.	Name of the RRBs	As at the end of	
		June 1985	June 1986
1.	Gorakhpur Ksh. Gramin Bank	9	10
2.	Sanyut Ksh. Gramin Bank	4	4
3.	Ballia Ksh. Gramin Bank	1	1
4.	Sultanpur Ksh. Gramin Bank	2	2
5.	Saraswati Gramin Bank	-	-
6.	Kashi Gramin Bank	5	5
7.	Basti Gramin Bank	8	5
8.	Allahabad Ksh. Gramin Bank	4	4
9.	Pratapgarh Ksh. Gramin Bank	4	2
10.	Faizabad Ksh. Gramin Bank	6	2
11.	Devi Patan Ksh. Gramin Bank	2	2
12.	Gouti Gramin Bank	6	6
13.	Vindhyavasini Gramin Bank	6	2
Eastern Uttar Pradesh		61 (1.53)	45 (1.05)
Rest of Uttar Pradesh		168 (3.28)	75 (1.29)
All Uttar Pradesh		229 (2.52)	120 (1.19)
All India		1012 (2.40)	695 (1.51)

Figures in brackets show the percentage of deputed staff to total.

It is clear from the above table that the ARBs are moving towards self dependence in matter of their man-power because the number of deputed staff is decreasing. But the presence of deputed officers in those ARBs which are more than 10 years old is not justified now because it was observed that ARBs have been made to provide a happy hunting ground for deputed officers who act in the interest of the sponsor bank rather than that of the ARBs. Therefore, the sponsor banks must withdraw their deputed officers from such ARBs as they are now well past the creeping stage of their life.

In the ARBs there are both types of personnel trained as well as untrained. Under the existing arrangements, some sponsor banks provide training facilities to the staff of ARBs in their own training establishments and meet the cost thereof. NABARD has also established a national level training institution called Bankers Institute for Rural Development at Lucknow with RBI assistance for the training of ARB staff. The college of Agricultural Banking (CAB) Pune is also conducting a regular 4-week programme on rural financing exclusively for the Officers of ARBs. CAB is also conducting a regular programme 'Agricultural Project Course' sponsored and subsidised by NABARD in which a few seats are made available to ARB officers. In spite of this a large number of officers and staff still remain to be trained (vide table 6.2D).

Training of ARB personnel is a matter of crucial importance. The purpose of training is to produce "rural bankers"

for the rural banks. This implies that academic qualifications alone can not be the criterion for selection. Background, attitudes, etc., are also relevant. It is seen that mostly the newly recruited staff are posted first and after some time they are sent on training. The RRB branches are already running with acute shortage of staff. Every branch is posted with one branch manager and one cashier-cum-clerk and when the branch attains the loaning of more than Rs. 7 lakh with 700 borrowal accounts, one field supervisor is also appointed in that branch. The shortage of staff is again responsible for RRB's inability to relieve staff to undergo training when called upon to do so. In order to avoid such shortage the newly recruited staff should immediately be sent on training for the period they are to be posted.

Another problem before the RRBs is the turn-over of their personnel. The exodus of trained staff has a crippling effect on the functioning of the bank. There may be various reasons of personnel turn-over but with reference to the RRB personnel, there are three important reasons for exodus from RRB.

- (a) attraction of higher emoluments in commercial banks and elsewhere;
- (b) hopes for better promotional chances; and
- (c) lure of urban culture.

In order to check the exodus following steps should be taken :

- (1) The posting of the staff should be at his place or at nearby places.

- (ii) The salary of the RRB staff should be at par with that of the commercial banks.
- (iii) The RRBs should introduce bond system. The bond may stipulate a continuous service of 5 or 6 years and in default thereof payment of a penalty equivalent to training expenses or more.

19. VIABILITY OF RRBs :

A bank is said to be viable if it attains a level of loan business giving it an income level which would enable it to meet not only all the expenses but also help it build a minimum reserve over a period of time. After assessing the efficiency and health of RRBs in terms of various criteria, its performance should also be assessed from the angle of viability. It becomes necessary as the objective of RRBs is different than that of other banks. In case of other banks viability may be achieved at a lower level of business if the coverage of area is small and overheads by way of branch expenses are low. In case of RRBs viability should be judged on the basis of spread it has to achieve because each RRB having the jurisdiction of one or two district is expected to open 75-100 branches in its area of operation. In case of other banks, if a rural branch operates at a loss, it is made up by the profits of other branches in the urban and other centres. The RRB has not the benefit of such counter-balancing.

As earlier said if we judge the viability of RRBs on the

basis of reserves built up by them, they are non-viable because reserve position in most of the RRBs is very poor. If we judge the viability of RRBs on the basis of income generated by them, then also they are found non-viable because their income, though has been increasing continuously, is insufficient to meet all their increasing expenses, particularly the expenses in opening new branches, and the losses incurred by them are accumulating year after year. RRBs are also non-viable institutions from the conventional yard stick of profitability. But contrary to this the RRBs are found viable in the sense that they are fulfilling the objectives for which they were established.

Thus the viability of a financial institution, with particular reference to RRBs where the objective is socio-economic, may be divided into two (i) Commercial Viability (i.e. commercial profitability) and (ii) Social Viability (i.e. Social profitability) Before judging the performance of RRBs from the above two angles, we study the ideas of Working Group about viability. The Working Group on Rural Banks (1975) had talked of four dimensions for¹⁶ judging the viability of a bank.

- (i) Area Dimension
- (ii) Financial Dimension
- (iii) Time Dimension
- (iv) Task Dimension.

(i) Area Dimension :

Since the regional banks were to be set up in areas which are at present under-provided for in the matter of credit

16. "Report of the Working Group on Rural Banks" (Narasimhan Committee Report) GOI 1975 Pages 3.7-3.11 "Reading Material Kit" pp. 41-45.

facilities, the Group had said "This attempt at relating the institution of regional banks to areas which promise development also holds, in our view, the key to the problem of viability of these institutions." (Para 3.7 and 3.8).

(ii) Financial Dimension :

"The concept of viability is a function of two variables, namely, the expenditure ratio and the low level of income earned by the institution. As regards the expenditure ratio, it is fundamental to our approach that the regional rural banks should work on a low cost budget in respect of staffing patterns, salary scales and other establishment expenses." As regards the income, the Group had said, "Our approach stresses equally the importance of these banks increasing the level of local deployment of funds, even as an aspect of viable operations. If these banks, instead of transferring their locally obtained funds to the central money markets, were to use them for effective and efficient disbursement of rural finance not merely would they be serving the larger social purpose but they would also be making progress towards their own viability as their own income would thus be higher." (Para 3.8 and 3.9).

(iii) Time Dimension :

"Viability has also a time dimension. It is certainly not our suggestion that these banks should remain unviable for all time but we should be prepared for these banks operating at a loss in the initial years. On the basis of our current expe-

riance with commercial banks, the prospects of reaching viability over a few years is good. At present, if rural branches of commercial banks operate at a loss, these losses are made up by the profit of other branches in the urban and other centres. The new rural banks will not have the benefit of such counter-balancing and any loss on their operations in the initial years will be reflected in the total operations of the banks and would need to be subsidised." (Para 3.10).

(iv) Task Dimension :

"A discussion on viability tends generally to be in financial terms. For a financial institution, it is indeed appropriate that it be so. However, where the objective of the type of financial institution is socio-economic, an initial period of financial loss may well be a price worth paying for the achievement of the larger social objective of widening the area of credit coverage. Indeed the success of these banks should be judged as much by their efforts at expanding and extending the area of rural credit as by the conventional yardsticks of profitability. In other words, the problem of viability can be approached from the task dimension as well." (Para 3.11).

Now when we judge the performance of RRBs taking into account the area dimension, financial dimension and task dimension of viability, we find them viable taking into account various constraints before them. For example, (i) They have to lend only to the weaker sections (ii) They have to charge lower rate of interest; and (iii) They have to keep up low cost profile. We

have already seen that RRBs have opened most of their branches at unbanked rural centres. They have advanced only or mainly to the weaker sections. The level of local deployment of their funds is far better than that of the rural branches of commercial banks. Above all, the RRBs with some gaps here and there have responded well in accordance with the objectives spelt out at the time of their inception. These achievements of the RRBs lead to the conclusion that they are socially viable.

So far as the commercial profitability or time dimension of viability of RRBs is concerned, there is difference of opinion. There are feelings in the concerned quarters that the RRBs should improve their profitability.¹⁷ In view of their unsatisfactory performance as many of them have eaten up their capital and due to mounting losses, the merger of RRBs into their parent nationalised banks is being given serious thought.¹⁸ The RRBs, throughout the country, are still incurring mounting losses even after 12 years of their establishment while the Working Group had said that these banks would operate at a loss in the initial years. The CRASICARD had also endorsed the observations of the Working Group that an initial period of financial loss of RRBs may well be a price worth paying for the achievement of the larger social objective of widening the area of credit coverage.¹⁹ The RRBs

17. The proceedings of the Conference of Chairmen and Nominee Directors of RRBs held at Lucknow on 5th and 6th May, 1987 (unpublished).

18. Chintamani Panigrahi the then Minister of State for Home and Chairman of Estimates Committee of Parliament. The Economic Times, New Delhi, Oct. 26, 1986, p. 8.

19. Report of the CRASICARD, PARAD, Para 7.12.

also become profit earning institutions but the profitability of the ARBs and that of other financial institutions depend upon different factors. The basic factor is that its advances should be considerably more than its deposits because the difference between the interest received from loanees and interest paid to depositors is the profit. There should be high ratio of current deposits in the deposit mix because in this case the bank will have plenty of funds on which no interest is to be paid. Besides the difference between two types of interest, discount, service charges, brokerage and other receipts also constitute a part of income for the banks for no or least expenses and thus improve the profitability. Thus, the profitability differs from one type of banks to another. But a bank is financially viable when its income is more than the expenditure. Working on low cost budget in respect of staffing patterns, salary scales and other establishment expenses, the growth rate of expenditure is still more than that of income. The growth rate of income and expenditure of individual ARBs alongwith the average of Eastern Uttar Pradesh, All Uttar Pradesh and All India are shown through table 6.23.

Table 6.23 : Total Income, Expenditure and its Growth Rate for ARBs of Eastern Uttar Pradesh as at the end of

(Amount in lakhs of Rs.)

Sl. no.	Name of the ARBs	Total Income		Total Expenditure		Growth Rate of Income		Expenditure	
		Dec.1984 Amount	Dec.1985 Amount	Dec.1984 Amount	Dec.1985 Amount	% Dec.1984	% Dec.1985	% Dec.1984	% Dec.1985
1.	Gorakhpur Kshetriya Gramin Bank	603.41	731.51	530.83	649.84	71.23		22.41	
2.	Sanyut Kshetriya Gramin Bank	259.00	365.29	262.50	350.11	35.80		33.38	
3.	Ballia Kshetriya Gramin Bank	120.38	154.25	124.35	169.05	28.14		35.95	
4.	Sultanpur Kshetriya Gramin Bank	181.82	243.90	177.69	237.13	34.14		33.48	
5.	Saraswati Gramin Bank	49.11	100.20	73.66	114.89	104.03		55.97	
6.	Kashi Gramin Bank	61.12	96.92	72.86	109.87	56.37		50.80	
7.	Basti Gramin Bank	91.53	119.50	91.07	128.07	30.56		40.63	
8.	Allahabad Kshetriya Gramin Bank	57.45	82.92	57.93	105.11	44.03		54.73	
9.	Pratapgarh Kshetriya Gramin Bank	72.08	73.12	85.22	86.60	1.44		1.62	
10.	Faizabad Kshetriya Gramin Bank	16.22	62.25	32.34	79.82	241.66		139.98	
11.	Devi Patan Kshetriya Gramin Bank	33.04	53.63	49.51	90.55	77.45		62.69	
12.	Gomti Gramin Bank	62.69	94.59	66.54	101.78	50.89		52.96	
13.	Vindhyavasini Gramin Bank	6.00	17.36	7.84	28.88	189.33		268.37	
Eastern Uttar Pradesh		1625.85	2200.44	1842.99	2240.75	35.45		36.30	
Rest of Uttar Pradesh		1584.21	2037.28	1694.32	2356.16	28.50		39.64	
All Uttar Pradesh		3210.06	4237.72	3537.31	4606.91	32.01		38.03	
All India		14551.81	19405.70	15519.38	22149.96	33.91		40.02	

It is clear from table 6.24 that the income of the RRBs is more than the income of rest of the RRBs of U.P. as at the end of December 1984 and 1985. It is 50.65 per cent and 51.93 per cent of total income of all RRBs of Uttar Pradesh as at the end of December 1984 and December 1985 respectively. The growth rate of income of all the 13 RRBs in 1984-85 altogether was 35.34 per cent which is the highest among rest of U.P. (28.50 per cent); All U.P. (32.01 per cent); and All India (33.91 per cent). There are only four banks, namely, Gorakhpur Kshetriya Gramin Bank, Sultanpur Kshetriya Gramin Bank, Basti Gramin Bank, and Pratapgarh Kshetriya Gramin Bank which had its growth rate of income less than the average growth rate of Eastern Uttar Pradesh. The growth rate of income in Pratapgarh Kshetriya Gramin Bank was too low which reduced the average of Eastern Uttar Pradesh.

On the other hand, total expenditure of RRBs of Eastern Uttar Pradesh is less than that of rest of Uttar Pradesh. It was 49.23 per cent and 48.64 per cent of total expenditure of all RRBs of Uttar Pradesh as at the end of December 1984 and December 1985 respectively. The rate at which expenditure of RRBs increased in 1985 over 1984 was also found the least in Eastern Uttar Pradesh. The proportion of expenditure in Eastern U.P. to that of All U.P. decreased from 49.23 per cent in December 1984 to 48.54 per cent in December 1985. Thus, from the point of view of level of income earned and expenditure incurred, the performance of the RRBs in Eastern Uttar Pradesh is satisfactory and laudable.

On the basis of the income and expenditure, the profit earned or loss incurred by RRBs in Eastern Uttar Pradesh may also

be analysed and compared with that of All Uttar Pradesh and All India. Table 6.24 shows the profit/loss position of RRBs of the region, State and the country.

Table 6.24 : Working Results of RRBs of Eastern Uttar Pradesh as at the end of

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	Profit/Loss	
		December 1984 Amount	December, 1985 Amount
1.	Gorakhpur Kshetriya Gramin Bank	+ 72.53	+ 81.67
2.	Bamnyut Kshetriya Gramin Bank	+ 6.50	+ 15.18
3.	Bellia Kshetriya Gramin Bank	- 3.97	- 14.80
4.	Sultanpur Kshetriya Gramin Bank	+ 4.13	+ 6.72
5.	Saraswati Gramin Bank	- 24.55	- 14.69
6.	Kashi Gramin Bank	- 11.74	- 12.95
7.	Basti Gramin Bank	+ 0.46	- 8.57
8.	Allenabad Kshetriya Gramin Bank	- 10.48	- 22.19
9.	Tratapgarh Kshetriya Gr. Bank	- 13.14	- 13.48
10.	Falgunabad Ksh. Gr. Bank	- 14.72	- 16.57
11.	Devi Patan Kshetriya Gr. Bank	- 16.47	- 21.92
12.	Gouti Gramin Bank	- 3.85	- 7.19
13.	Vindhyavasini Gramin Bank	- 1.84	- 11.52

Out of 188 RRBs in India at the end of December 1985 only 36 RRBs earned profit which ranges from Rs. 0.03 lakh, the minimum profit earned by Alaknanda Gramin Bank in Uttar Pradesh, to Rs.81.67

lakhs, the maximum profit earned by Gorakhpur Kshetriya Gramin Bank. The profit does not exceed Rs. 25 lakhs except in Prathama Bank (Rs. 40.34 lakhs) in Uttar Pradesh. Out of 36 profit making RRBs, 10 RRBs are of U.P. and among these 10 RRBs, 3 RRBs are in Eastern Uttar Pradesh. Out of 198, 152 RRBs have crept into the fatal jaws of heavy losses. 85 RRBs have already exhausted their total share capital and the rest are almost on the verge of it. The RRBs have drifted into such heavy losses during the last ten years that their very existence stands threatened. Out of 152 loss making RRBs, ten belong to Eastern U.P. but they have incurred as much losses as other RRBs. In other words, no RRB of Eastern Uttar Pradesh has exhausted its total share capital. Table 6.25 shows that the losses incurred by 10 RRBs increased to a large extent in 1985 over the period of 1984 except the Saraswati Gramin Bank where it decreased over the same period. Basti Gramin Bank which has earned profit in 1984 incurred heavy loss in 1985.

There are various reasons that RRBs are operating on losses or at a very low level of profitability. In spite of all those reasons, being more or less common for all RRBs, the performance of the RRBs of Eastern Uttar Pradesh in terms of profit/loss is very satisfactory when compared with the rest of Uttar Pradesh, the whole Uttar Pradesh and the whole country. Table 6.25 is a testimony to this fact.

Table 6.25 : Profit & Loss of ARBs of Eastern Uttar Pradesh compared with the State and the Country as at the end of

(Amount in lakhs of Rs.)

Region/State Country	December, 1984				December, 1985				Accumulated losses amount December, 85.
	Pro- fit Making ARs	Pro- fit Amt. ARs	Loss Making ARs	Loss Amt.	Pro- fit Making ARs	Pro- fit Amt.	Loss Making ARs	Loss Amt.	
Eastern U.P.	4	83.62	9	100.76	3	103.57	10	143.87	337.72
Rest of U.P.	4	68.12	18	178.98	7	57.21	19	386.09	739.65
All U.P.	8	151.74	27	279.74	10	160.78	29	529.97	1077.37
All India	42	318.33	131	1585.90	36	325.61	152	2989.87	6136.18

The above table shows that out of the total profit of all ARBs of Uttar Pradesh (Rs. 151.74 lakhs) the profit of 13 ARBs of Eastern Uttar Pradesh was Rs. 83.62 lakhs, i.e., 55.11% of total profits as at the end of December 1984. It increased to Rs. 103.57 lakhs (i.e., 64.42%) in December 1985. In the amount of loss at the end of December 1984 and December 1985, the share of 13 ARBs of Eastern Region was 36.02 per cent and 27.15 per cent respectively. From this angle the performance of the ARBs of Eastern Uttar Pradesh altogether, when compared with rest of Uttar Pradesh, the whole Uttar Pradesh and All India level, is quite satisfactory.

Now the performance of individual ARB is also being judged with regard to the same criterion by comparing them with other ARBs of the same age. First of all Gorakhpur Kshetriya Gramin

Bank is taken and the working result of five pilot RRBs are shown in table 6.26.

Table 6.26 : Working Results of First Five RRBs of India as at the end of

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	Dec. 1984		Dec. 1985		Accumulated Loss Amount Dec. 1985
		Profit Amt.	Loss Amt.	Profit Amt.	Loss Amt.	
1.	Prathama Bank	37.24	-	40.34	-	-
2.	Gorakhpur Ksh. Gramein Bank	72.53	-	81.67	-	-
3.	Jaipur Nagaur Ansh. Gr. Bank	0.25	-	-	13.33	8.35
4.	Haryana Ksh. Gr. Bank	-	21.82	-	27.82	52.13
5.	Gur Gramein Bank	8.97	-	-	12.75	7.98

The above table clearly shows that the working result of Gorakhpur Kshetriya Gramein Bank is the best among the five RRBs set up on October 2, 1975.

Further two RRBs of Eastern U.P., namely, Samyut Kshetriya Gramein Bank and Ballia Kshetriya Gramein Bank, were established in the year 1976 and in the same year four RRBs were set up in other parts of Uttar Pradesh. Table 6.27 compares the working results of these Banks with the first two RRBs.

Table 6.27 : Working Results of Six RRBs set up in 1976 as at the end of

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	December, 1984		December, 1985		Accumulated Losses Amount (December, 1985)
		Profit Amount	Loss Amount	Profit Amount	Loss Amount	
1.	Samyut Ksh. Gramin Bank	6.50	-	15.18	-	-
2.	Barabanki Gr. Bank	9.68	-	0.17	-	-
3.	Parrukhabad Gr. Bank	11.79	-	13.62	-	-
4.	Nae Bareilly Ksh. Gramin Bank	8.99	-	1.13	-	-
5.	Shaglrath Gr. Bank	-	8.64	1.50	-	-
6.	Ballia Ksh. Gramin Bank	-	3.97	-	14.80	10.46

From the above table it is clear that the performance of Samyut Kshetriya Gramin Bank, as compared to other RRBs is the best and that of the Ballia Kshetriya Gramin Bank is the worst. One of the RRBs of Eastern Uttar Pradesh namely Sultanpur Ksh. Gramin Bank was set up in 1977 and in the same year Hardoi Unnao Gramin Bank was also established. When the working results of these two RRBs are compared, the former is found more efficient in terms of commercial profitability (vide table 6.29).

Table 6.28 : Working results of two ARBs set up in 1977 as
at the end of

Sl. No.	Name of the ARBs	December, 1984		December, 1985		Accumulated Loss Amount Dec. 1985
		Profit Amount	Loss Amount	Profit Amount	Loss Amount	
1.	Sultanpur Ksh. Gramin Bank	4.13	-	6.72	-	-
2.	Hardoil-Unnao Gramin Bank	-	28.95	-	56.68	163.28

12 ARBs in all were set up in Uttar Pradesh in 1980, out of which six are in Eastern Uttar Pradesh. The working results of these six ARBs of Eastern Uttar Pradesh are compared (vide table 6.29) with another six ARBs both individually and collectively.

**Table 6.29 : Working Results of 12 RRBs of Uttar Pradesh
Set up in 1980.
(as at the end of)**

(Amount in lakhs of Rs.)

Sl. No.	Name of the RRBs	December, 1984		December, 1985		Accumulated Losses Amount December, 85
		Profit Amt.	Loss Amount	Pro- fit Amt.	Loss Amt.	
1.	Saraswati Gr.Bank	-	43.67	-	14.69	58.35
2.	Kashi Gr. Bank	-	28.14	-	12.95	41.72
3.	Basti Gr. Bank	-	4.38	-	8.57	12.95
4.	Allahabad Ksh.Gr. Bank	-	20.50	-	22.19	42.69
5.	Pratapgarh Ksh. Gramin Bank	-	26.94	-	13.48	40.42
6.	Faizabad Ksh.Gr. Bank	-	20.96	-	16.57	53.54
Total		-	144.59	-	98.45	249.67
1.	Kanpur Ksh.Gramin Bank	-	43.81	-	31.58	77.92
2.	Etawah Ksh.Gr.Bank	-	7.77	-	20.83	30.10
3.	Kisan Gramin Bank	-	9.84	-	13.88	22.72
4.	Ksh.Kisan Gr. Bank	-	13.98	-	21.20	47.22
5.	Fatehpur Ksh.Gr.Bank	-	23.38	-	22.06	45.45
6.	Bareilly Ksh.Gramin Bank	-	32.80	-	26.86	60.19
Total		-	130.58	-	136.41	283.60

Here also we find the RRBs of Eastern Uttar Pradesh in better position than that of other six RRBs of Uttar Pradesh which were set up in the same year. All the banks are operating at losses but on the one hand the total losses of the first group

of ARBs decreased to a great extent from Rs. 144.59 lakhs in December 1984 to Rs. 33.43 lakhs in December 1985, and on the other hand the losses of the second group of six ARBs increased from Rs. 130.58 lakhs to Rs. 136.41^{lakh} over the same period. The amount of accumulated losses of the first group of ARBs is also less than that of the latter group as at the end of December 1985. It clearly indicates that the performance of the ARBs in Eastern Uttar Pradesh is better than that of the other ARBs of their age and they are more efficient.

Again the working result of Devi Patan Kshetriya Gramin Bank and the Gonti Gramin Bank is compared with Aligarh, Tulsi and Etah ARBs (vide table 6.30). All of these five ARBs were established in 1981.

Table 6.30 : Working Results of Five ARBs of the Same Age as at the end of

(Amount in lakhs of Rs.)

Sl. No.	Name of the ARBs	Dec. 1984		Dec. 1985		Dec. 1985 Amt. of Accumula- ted losses
		Pro- fit Amt.	Loss Amt.	Pro- fit Amt.	Loss Amt.	
1.	Devi Patan Ksh. Gr. Bank	-	15.55	-	21.92	37.47
2.	Aligarh Gr. Bank	-	14.47	-	15.78	30.25
3.	Tulsi Gr. Bank	-	11.77	-	35.92	47.72
4.	Etah Gramin Bank	-	24.51	-	15.42	39.93
5.	Gonti Gramin Bank	-	18.86	-	7.19	26.76

Here also all of the five ARBs are running into losses. This table reveals that although there was an increase in the

amount of losses in 1985 over 1984 in three RRBS namely Devi Patan Aligarh and Tulsi RRBS, and a decrease in two RRBS' losses, yet the Devi Patan and Gontl Gramin Banks are in better position than other three RRBS. The amount of accumulated losses in Gontl Gramin Bank is the minimum (Rs. 26.75 lakhs) whereas that in Tulsi Gramin Bank it is the highest (Rs. 47.72 lakhs) as at the end of December 1985. In terms of accumulated loss Devi Patan Ametoliya Gramin Bank ranks third among above five RRBS.

Finally through table 6.31 the working result of the last RRBS of Eastern Uttar Pradesh established in 1983 is compared with other five RRBS established in other parts of Uttar Pradesh in the same year.

Table 6.31 : Working Results of Six RRBS of 1983 as at the end of

(Amount in lakhs of Rs.)					
Sl. No.	Name of the RRBS	Pro- fit	Loss	Pro- fit	Loss
		Amt.	Amt.	Amt.	Amt.
					Dec.1985 Accumulated Loss Amt.
1.	Vidur Gr. Bank	-	4.99	-	13.83
2.	Shahjahanpur Ksh. Gramin Bank	-	4.46	-	14.68
3.	Nainital Almora Ksh. Gramin Bank	-	6.82	-	14.95
4.	Vidhyavasini Gr.Bank	-	1.84	-	11.52
5.	Garyu Gramin Bank	-	0.86	-	14.65
6.	Jamuna Gramin Bank	-	1.03	-	7.80

Here also all the RRBs were running on losses and in the year ending 1985 the amount of losses increased several times over 1984 which differs from bank to bank. But when we look at the accumulated losses, the Vindhyaivasini Gramin Bank accounted for the minimum except Jamuna Gramin Bank. The performance of Vindhyaivasini Gramin Bank may, therefore, be called better and not the best.

Thus, after assessing the performance of all the RRBs of Eastern Uttar Pradesh, individually as well as collectively in comparison with All Uttar Pradesh level, in terms of various criteria, it may be concluded that their working, with a little gap here and there, is appreciable and better than the working of RRBs of the rest of Uttar Pradesh.

All the RRBs were found socially viable as they have responded well in accordance with the responsibilities they had shouldered. They fulfilled the objectives for which they were established. The scheme of Social Control over banks in 1967 and followed by nationalisation of major commercial banks in 1969 were also done with more or less the same purposes for which RRB scheme was envisaged but those efforts yielded not so much success as in case of RRBs. The commercial banks ignored the most important sector i.e., agriculture. The commercial banks had not reduced the regional disparities in terms of banking facilities in the country. The RRBs succeeded in doing so.

On the other hand in fulfilling the objectives for which the RRBs were established, they became financially and economically

...viable institutions because the cost of discharging social responsibilities to the rural poor can hardly be neutralised from the very low margin of profits accrued from normal business of the RRBs and efforts should be made to strike a reasonable balance between the quantum of social responsibilities and profitability.

The RRBs have, no doubt, the potential and capability to attain financial viability and they can become profit making institutions without any curtailment in their social obligations provided some changes are brought in the government policies. About the responsibility of the banks the Banking Commission had categorically stated; "The national banks are not run with the object of earning maximum profits as they have to make their due contribution towards the fulfilment of the economic and social objectives laid down by the authorities. This does not, however, mean that there should not be any profit motive at all."²⁰ The same thing should also apply in case of RRBs.

The mounting losses in RRBs does show their inefficiency and the Working Group on RRBs (1975) had said : "It is equally necessary to ensure that the social objective does not provide an umbrella to inefficiency and the appraisal of the bank's working should be based both on the fulfilment of objectives and control of cost — in short, in achieving a favourable cost-benefit-ratio."²¹ Thus, the RRBs have to achieve commercial via-

20. Report of the Banking Commission 1972, p. 296, Sec.12.62.

21. Report of the Working Group on Rural Banks Sec. 3.11.

bility. In other words, they have to improve their profitability.

Now before going into detail as to how the RRBs can improve their profitability and thereby can become economically viable units, it becomes necessary to know the reasons as to why they are financially unviable institutions. The reasons behind their least profitability are as under :-

- (i) The policy of the rates of interest is itself conducive to losses. The RRBs earn 8 to 10 per cent interest on their balances with other banks while they allow 5 to 11 per cent interest to their depositors. The RRBs receive interest @ 8% per annum on Current Accounts with their sponsor banks and interest rates on short Deposit Receipt range from 10% to 11-1/2% per annum depending upon the period for which deposits have been kept with the sponsor banks. The interest to depositors is nil on Current Accounts, @ 5% per annum on SB Accounts and 10 to 11 per cent on fixed and recurring deposits. Thus, there is either no difference or less difference between the two interest rates and where there is difference between the interest received on deposits and interest allowed on deposits, that very difference is very insufficient to cover the cost of operations.
- (ii) The difference between the interest charged from the borrowers and interest allowed to depositors is the profit for a bank and this difference in case of RRBs is insufficient to meet the cost of operation. The

average interest on lending is 11% and the average interest on deposits is below 10%. We have already seen that about 50% of the total loans are distributed for agricultural purposes and the interest is charged at the rate of 11% provided it is general advances, 12-1/2% on loans for retail trade, small business and road transport operators; 14% on loan for self employed. But when the loans are distributed under government schemes the rate of interest is only 10%, under DRI Scheme it is 4% and most of the loans are distributed under government schemes.

- (iii) The ARBs are taking care of the traditionally neglected areas by opening branches at rural and unbanked centres where bank business is less than the cost of operating one branch.
- (iv) The ARBs are lending to the priority sectors only and under the priority sectors the lending is at lower level. There is restriction on its general lending.
- (v) The ARBs have not yet received the optimum level in terms of branch expansion. The responsibility of branch expansion has been exclusively shouldered by the ARBs. The branches have continuously been increasing. The ARBs have to meet the cost of establishment and cost of operation of new and old branches while the business of new branches expands slowly.

- (vi) The ARBs have been restricted from performing such banking activities by which they can generate sufficient income, e.g., remittance facilities while the profitability may be improved by increasing the income and decreasing the controllable expenses like printing and stationery, postage, travelling, T.A./D.A. and miscellaneous expenditures etc.
- (vii) The cost of serving big accounts is also low compared to small accounts. The ARBs serve mostly small accounts
- (viii) The credit-deposit ratio of ARBs particularly in Eastern Uttar Pradesh is not very good. Among many factors, the basic factor on which the profitability of a bank/branch depends is that its advances should be considerably more than its deposits but where a bank has more long-term deposits and more of priority and weaker section advances, its profitability is bound to be low.
- (ix) Recovery of loans of ARBs, particularly under the government schemes, is very depressing. The reasons responsible for poor recovery are also responsible for the least profitability of ARBs.
- (x) Court cases relating to the recovery of advances incur some cost.
- (xi) Labour turn-over of an industry also affects its profitability. The same applies in case of ARBs where there is exodus of employees.

- (xii) The government did not accept such recommendations given by various committees, which might have converted these unviable units into viable ones.
- (xiii) There is lack of motivating environment for the employees of the RRBs. Low salary structure, minimum facilities; and less chances of promotion for the employees of the RRBs, are some special features of RRB scheme due to which the employees do not attempt to achieve the highest performance. It is bound to affect the profitability of the RRBs.
- (xiv) In rural branches, there is hardly current accounts and hence there is no scope to raise funds through such accounts on which no interest is paid.

Taking the above limitations of the RRBs into consideration, it may be said that they have responded well to the demand made upon them which is unprecedented in the history of banking anywhere in the world. In other words, it may be said that the RRBs are, if not commercially viable, socially viable institutions. They are extending credit in a place where the people use it and create wealth. The wealth created will bring in economic prosperity in the area. People save in the same locality and build up balances. The balances as funds are deployed by the RRB branches by lending for economic activities. Thus, both the deposits and credit develop areas where the banks operate. This is the social benefit that the RRBs create to the society

whether it is a credit activity or it is a deposit activity, there is benefit to the society by the RRB branches. Viewed from this angle, a deposit heavy branch, though it may run in loss due to its heavy outgoings as interest to depositors, can not be condemned as a loss sustaining bank/branch.²²

Since a large part of the country is still non-monetised. There are hundreds and thousands of people whose needs are growing and who have to be serviced and the RRBs should also learn to be self-sustaining instruments, the profitability of the RRBs itself becomes equally important along with the contribution to the society. In order to make RRBs financially viable, following steps should be taken :-

1. The salaries of the employees of RRBs should be at par with that of the commercial bank employees. It will create a motivating environment for the employees in RRBs. This will enable them to work with maximum efficiency. Since the establishment of the RRBs, demands have also been made by RRB employees for higher scales of pay and other allowances and facilities available in the commercial banks and other government undertaking. The demand was not accepted on the ground that it will affect the basic concept of RRB as a low cost institution. But in real sense the favourable "cost-benefit-ratio" can be achieved by increasing the pay of

22. Rao, B. Ramachandra "Current Trends in Indian Banking" op.cit., pp. 194-95.

and employees. Harold James Sheldon, an authority on Cost Accounts, has said "Low wages do not necessarily means low cost. It is widely recognized that the efficiently organised factories may pay the highest wages and yet have the lowest cost." Besides factories, this principle applies in other concerns also. The All India Confederation of Bank Officers Organization (AICBOO) claimed that decline in the profitability of the banks was not due to higher wages bill which constitutes only 15 to 20 per cent of total cost. It was due to opening of uneconomic branches and lending at very low interest rates at the instance of the government.²³

2. The government must take full interest in the recovery of loans as it takes interest in distribution of loans under various schemes and through Credit Camps etc. when the recovery improves, the game of recycling public funds shall successfully be played for a long period.
3. The authorised and paid up capital should be increased. Since 1975 the authorised and paid up capital of every bank is Rs. one crore and Rs. 25 lakhs respectively. Over a period of 12 years the value of money and the demand for credit have changed. Now the authorised capital should be Rs. 5 crores and paid up capital Rs. one crore.

23. The Hindustan Times, New Delhi on Oct 13, 1985, p. 16, col. 6.

4. All the branches individually and RRBs as a whole should endeavour to improve the CDR upto an optimum level of 100% which will enable them to achieve viability and improve their profitability.
5. There should be a minimum margin of at least 5% between borrowing and lending rates of interest so as to enable RRBs to achieve viability. Since the loans by RRBs have been restricted only to the weaker section, lending rate can not be increased as it will make the borrowings by targets group costlier. The above level of margin could be ensured either by cutting down the refinance rate or by enlarging the scope of RRBs lending or perpetual subsidies by the Government and sponsoring bank. For providing a margin of 5 or 6 per cent to RRBs two steps should be taken at a time. Firstly, the rate of interest on borrowings from sponsor bank/ICICI/IDBI should be reduced. Secondly, 25 to 30 per cent of total advances of RRBs should go to non-target group in the rural areas.
6. The RRBs should be allowed to undertake some of those banking activities which may generate an additional income for them for no or least additional expenses. For example, issue and encashment of demand drafts etc.
7. The RRBs should be allowed to charge 1% as service charges on advances made by them against Government Schemes such as IRDP, Special Components Plan etc.

8. At present the rate of interest on the refinances by ARSAB is 3 per cent below the Bank Rate. It should be 4 per cent below the Bank Rate.
9. The ARBs should be exempted from payment of guarantee premium to Deposit Insurance and Credit Guarantee Corporation of India (DIC & CGCI).
10. The Reserve Bank of India should pay interest on the Cash Reserves of ARBs.
11. Preference should be given to ARBs for the maintenance of accounts and keeping the fund of Government departments, semi-government bodies, local bodies like Panchayat, Utpadan Mandi etc., DRDA and other development agencies/corporation/departments of the State Government.
12. Incentives on deposits must be allowed to prevail in ARBs also as incentives are allowed by cooperative banks and Post Offices in case of deposits.
13. Certain facilities available to Central Cooperative Banks should be available to ARBs also. For example, provision of Risk fund @ 2% for the additional finance to weaker section than the previous year, reimbursement of managerial cost of ARBs for the first three years as being reimbursed by National Cooperative Development Council to Central Cooperative Banks.

CHAPTER VII
FINANCES AND SUGGESTIONS

India is a land of villages, and more than three-fourths of the population depends on agriculture for its livelihood. The rural poverty in India has been an outcome of agricultural backwardness which may be attributed to the lack of rural finances. The thinking in the concerned quarter in the country has been that rural development can be achieved only or mainly by pumping credit in rural areas for the development of agriculture and allied activities coupled with rural and cottage industries, among others, so that employment opportunities for them may be created. Thus, the agricultural finance and rural banking became important economic and political issues in the country.

Various experiments have been made from time to time to solve the problem of rural finance. Establishment of Regional Rural Banks, a new type of institution having some special characteristics of their own combining the good features of both the cooperative credit agencies and commercial banks; was an experiment for the purpose. It is a rural oriented commercial bank having the image of "small man's bank." Before the establishment of Regional Rural Banks, various institutional and non-institutional agencies were in existence. Among non-institutional agencies the money lenders, indigenous bankers, *Mithis* and *Chit-fund* have been operating and among the institutional agencies there

have been the commercial banks, cooperative credit societies, Farmers Services Societies, Agricultural Credit Corporation, Agricultural Finance Corporation, Agricultural Refinance and Development Corporation, Small Farmers Development Association, Postal Savings Banks, etc., besides the RBI. But they could not satisfactorily meet the requirements of rural credit. It became the genesis for the establishment of the Regional Rural Banks.

Since their establishment the RRBs have been working in accordance with the objectives spelt out at the time of their inception. At the same time they created some new problems, the prominent among them being the exhaustion of capital in many of such banks. Since their establishment, it has been the concern in the concerned quarters whether this new institution would strengthen the existing rural credit structure? Whether would these banks overcome the disabilities of the existing institutions by supplementing them? Whether would they be economically viable as they were established primarily with the objective of financing priority sectors? The present study has been undertaken with the objective to find answers to the above questions.

The hypotheses formulated for the purpose of this study are : "The available sources of rural finance in India before the establishment of the Regional Rural Banks have been unable to provide adequate credit to the rural masses. And the Regional Rural Banks have reduced the regional disparities with regard to the availability of banking facilities in rural areas and

has been commensurate with the objectives for which they were established."

To test the hypotheses, Eastern Uttar Pradesh, has been selected. The working of Regional Rural Banks in this region has been analysed. Eastern Uttar Pradesh comprises of fifteen districts of the State of U.P. It is one of the most populous regions of the country with predominant agricultural economy, illiteracy, unskilled labour, mass unemployment and under-employment, less developed secondary sector and above all poor banking services from the organised money market.

The working of Regional Rural Banks has been examined in terms of various criteria particularly the deposit mobilisation, credit deployment, recovery and financial viability. Alongwith this, focus has also been thrown on the other financial institutions. The methodology adopted in examining the working of Regional Rural Banks in Eastern Uttar Pradesh consists of field work, library work and the collection of secondary data from the publications of Reserve Bank of India, National Bank for Agriculture and Rural Development, All India Regional Rural Banks Employers Association, various Annual Reports of different Regional Rural Banks, etc. The data have been analysed with the help of sophisticated statistical tools.

The examination of different aspects of the problems was restricted to a period ending June 30, 1986. Since the RRBs have been set up on different dates and in different years, the dif-

ference in their ages created the problem of comparability in respect of their working. In spite of this, tables have been presented in such a manner that the data remained comparable and that is why (i) the period of study has shrunk to two to three years only; and (ii) the working of ARBs of Eastern Uttar Pradesh has been compared with All Uttar Pradesh and All India level and further the working of individual ARBs has also been compared with other ARBs of the same age.

The study is based mainly on the secondary data and, therefore, the limitations of secondary data are bound to be there, but efforts have been made to minimise them through un-structured personal interviews and informal discussions with the officials of the ARBs.

After assessing the performance of ARBs of Eastern U.P., the following findings have emerged :

The ARBs which were planted in 1975 have now blossomed and matured into trees with lots of flowers all around. The success of the ARBs in terms of spread of banking facilities is reflective from the fact that the number of ARBs in India rose to 173 covering 307 districts through 10,245 branches as at the end of December, 1984 while it was proposed that by the end of 6th Five Year Plan, (i.e., March, 1985), the number of ARBs would be increased to 170 (functioning through 9700 branches) covering 270 districts. Most of these branches have been opened at places (i) where commercial and Cooperative banks credit support was inadequate and credit gaps were large; (ii) where

the weaker section was large in number; and (iii) where the agricultural development potential was good.

Thirteen RRBs covering 15 districts of Eastern Uttar Pradesh in all have a branch network of 1151 as at the end of June 1986 and it is 41.60 per cent of the total branches in All Uttar Pradesh (2767) and 9.0 per cent of All India (12,755) branches) while the area of this region is 29.09 per cent (85637 sq. km.) of All Uttar Pradesh. The RRBs in Eastern Uttar Pradesh through their branches are covering a population of 416.52 lakh as per Census of 1981 and it is 37.57 per cent of the State population. Thus the percentage of branches of RRBs in Eastern Uttar Pradesh is greater than the percentage of population and area of this region. The population covered per branch of RRBs in Eastern Uttar Pradesh as per Census of 1981 is 36.19 thousand as at the end of June 1986. This figure for All Uttar Pradesh is 42.83 thousand and for All India 40.07 thousand. Taking all the scheduled commercial banks including the RRBs, per branch population in the region is 17.49 thousand, in U.P. 15.08 thousand and in India 15.12 thousand. When the RRB branches are excluded, the population covered per branch of scheduled commercial banks in Eastern Uttar Pradesh is 33.86 thousand, in U.P. 20.75 thousand and at All India level 24.29 thousand. Here the variations are large while the variations in case of all the scheduled commercial banks (including the RRBs) are narrow. It clearly indicates that the RRBs are reaching the goals set for them. In other words, the RRBs have reduced the regional disparities to a large

extent in terms of banking facilities.

In reaching the objective of branch expansion the RRBs are given preference for opening branches in rural areas but there are so many hurdles in the way of RRBs setting up branches at the remote centres allotted to them. Hurdles worth mentioning are : lack of suitable building, lack of police protection, lack of communication facilities, lack of housing facilities for RRB employees, lack of transport facilities, lack of trained staff etc. In spite of these hurdles, most of the branches of RRBs have been opened in remote areas where the proportion of population belonging to weaker section is high and they have been reaching the benefits of banking to the most downtrodden and hitherto forgotten segments^{of} rural India. Keeping into account the above hurdles the performance of RRBs is very satisfactory.

The massive branch expansion by RRBs in far flung rural areas, coupled with the lack of adequate initiative on the part of the government, has created a new problem defeating the very objective of the scheme of RRBs to curb the exploitative practices of money lenders in rural areas and because of that there is lack of marketability of the produce of rural artisans. When rural artisans used to borrow from money lenders at very high rate of interest, the money lenders used to purchase their produce at very low price and the day to day expenses for their livelihood were met by the finances available from money lenders. But now the artisans at various places are in greater trouble than earlier.

One of the objectives behind the scheme of RRBs was to

inculcating small savings among the persons of small means. The RRBs particularly in Eastern U.P. are performing this task very successfully. The available figure of deposits in RRBs is a testimony to this fact. The total deposits of all RRBs of Eastern U.P., as at the end of June 1986, amounted to Rs.10950.54 lakhs which works out to Rs. 1457.73 lakhs per RRB and Rs. 16.46 lakhs per branch and Rs. 1071.26 per account. The total deposits in Eastern U.P. constituted 51.43 per cent of total deposits in All U.P. while only 33.33 per cent of RRBs of U.P. are in Eastern Region. Per RRB and per branch deposits in Eastern Uttar Pradesh is also greater than that of All Uttar Pradesh (Rs. 944.79 lakhs and Rs. 13.32 lakhs) and All India (Rs. 744.03 lakhs and Rs. 11.32 lakhs) respectively. The deposits in Eastern Uttar Pradesh as compared to that of All U.P. and All India reflect the good quality of service in RRBs and good personal contacts and relations of the RRB staff with local people because the rates of interest on deposits in all RRBs are same and there is no gift scheme for the depositors and above all the Eastern Region is economically backward. The growth rate of deposits in the Region is in June 1986 over 1985 was 33.15 per cent which is slightly less than that of All Uttar Pradesh (34.31%) and All India (36.56%). Thus, from the point of view of deposit mobilisation the performance of RRBs of Eastern U.P. as a whole is impressive and satisfactory as compared to All U.P. and All India.

The performance of individual RRBs of Eastern U.P., when judged from the same yardstick and compared with other RRBs of their ages, is found very good with the sole exception of Vindhya-vasini Gramin Bank, Mirzapur.

The performances of RRBs, in terms of deposit mobilisation, in comparison with other scheduled commercial banks seems very poor as the average deposit per branch of RRBs in Eastern Uttar Pradesh as at the end of June 1986 was only Rs. 16.46 lakhs while that in scheduled commercial banks (including the RRBs) was Rs. 112.99 lakhs.¹ The reasons of the difference between two averages may be attributed to the constraints for the RRBs in deposit mobilisation, viz., (i) The RRBs deal mainly with the lower sections of the society whose saving is very small. The provision of loan facilities from RRBs to only small and marginal farmers and rural units keeps back the relatively better off potential depositors from depositing their savings in RRBs. (ii) The standing of the RRBs is weak, 12 years old while the standing of commercial banks is very long. (iii) The commercial banks extend all types of banking facilities including the facility of lockers, issue and encashment of drafts and discounting of bills etc. The RRBs have been restrained from undertaking these activities. (iv) The cooperative banks are already working in the rural areas. It means the areas of RRBs are shared by the cooperative and commercial banks. (v) The State Governments' preference for keeping their institutional deposits with the cooperatives.

In the light of the above bottlenecks, the performance and contribution of RRBs, particularly of Eastern Uttar Pradesh, are laudable and satisfactory.

1. This figure will be higher when the deposits and number of branches of RRBs are excluded from the total of all scheduled commercial banks.

The RRBs have an ideal deposit mix in the sense that it has a high ratio of savings Bank Accounts in its total deposits. The SA Accounts constitutes 61.65 per cent as a whole in Eastern Uttar Pradesh's deposits. This figure ranges from 53.08 per cent in Sultanpur Kshetriya Gramin Bank to 75.44 per cent in Faizabad Kshetriya Gramin Bank as at the end of December 1984. When there is a high proportion of SA Accounts in deposit mix of a bank, as it is found in RRBs, it has to pay less by way of interest and can, therefore, improve their profitability due to the large difference between the lending rates and deposit rates. There is no question of high proportion of Current Accounts in RRBs' deposits. However, in any other type of deposit-mix with high proportion other than the SA Accounts, the profitability of the RRBs will be affected adversely.

The credit deployment by RRBs means deployment of all the resources at their disposal to those who were hitherto neglected by other banking institutions. In terms of the provisions of the RRBs Act 1975, the RRBs are required to undertake the business of (a) the granting of loans and advances, particularly to small and marginal farmers and agricultural labourers whether individually or in groups, and to cooperative societies for agricultural purposes or agricultural operations or for other purposes connected therewith, and (b) the granting of loans and advances particularly to artisans, small entrepreneurs and persons of small means engaged in trade, commerce or industry or other productive activities.

The resources available with RABs for deployment for above purposes comprise of deposits, share capital, reserves and surplus, recoveries, and re-finances from various institutions. The deployment of these resources, after provision of cash reserves and liquidity reserves, is mainly confined to small and marginal farmers, agricultural labourers, rural artisans, small traders and businessmen, etc. Purpose-wise, their attention is largely confined to agriculture and allied activities such as minor irrigation, dairy, poultry, pigery, sheep/goat rearing and pisciculture, etc. In order that they perform their functions successfully, the RABs have been provided the facilities of (i) insurance cover for deposits from the Deposit Insurance Corporation and credit risk coverage from Credit Guarantee Corporation, and (ii) eligibility to obtain refinance.

Thus, the total outstanding advances made by RABs for various purposes, mentioned above, stood at Rs. 12549.17 lakhs under 7,58,191 borrowal accounts as at the end of June 1986. The advances of RABs in Eastern Uttar Pradesh constitute 43.5 per cent of the total advances by all the RABs of Uttar Pradesh as on the same date. The advances per branch in the Region come to Rs. 10.90 lakhs as against Rs. 10.43 lakhs per branch in whole Uttar Pradesh. The amount of loans (outstanding) per borrowal account in Eastern Region is Rs. 1655.14 while this figure at All U.P. level is Rs. 1966.73. There are wide variations in advances from one RAB to another and from one branch to another. The maximum advances have been made by Gorakhpur Kshetriya Gramin Bank while the minimum by Vindhyavasini Gramin Bank.

Out of the total loans advanced by RRBs, the major portion has gone to agricultural sector in terms of crop loans and term loans. Out of Rs. 12549.17 lakhs, Rs. 6254.85 lakhs went to agriculture in Eastern Uttar Pradesh which works out to 49.84 per cent of total advances as at the end of June 1986. This figure for All Uttar Pradesh is 50.54 per cent and for All India 55.55 per cent. The percentage of agricultural advances also differs from one RRB to another. It was 77.23 per cent in Gorakhpur Kshetriya Gramin Bank, being the maximum among all the RRBs of Eastern Uttar Pradesh and 22.93 per cent in Allahabad Kshetriya Gramin Bank, being the minimum. Except Gorakhpur and Allahabad, the advance to agriculture were less than 50 per cent in all the RRBs of Eastern Uttar Pradesh while all the districts of this region are agricultural in nature. In the context of the economic realities of Eastern Uttar Pradesh, the performance of RRBs of the region is not upto the mark. However, there has been mixed-pattern of loan operations by all RRBs but they are found more enthusiastic in providing term credit for agriculture because of the following reasons :

- (a) Term loans provide a quicker way of attaining higher loan targets.
- (b) It facilitates identification of purposes.
- (c) These are easier for supervision over utilisation.

There are various poverty alleviation programmes of the government and the major portion of lending through RRBs comprises lending under such government sponsored programme like IRDP, SCP,

etc. Lending under such programmes is done either through organising the Credit Camps or R&D branches have to depend mostly on the loan applications sponsored by Block authorities or other governmental agencies of the State. In this way, the thrust on development banking is missing and bank staff has less control on identification of beneficiaries and activities undertaken by them. It is also observed that the R&Ds are actively participating in commercial advances as they have to adhere to the principle of profitability also along with the principle of safety and liquidity. Although the R&Ds are helping the weakest among the weaker sections which really involves a big and tough job, yet the principle of profitability may defeat the very objective of financing weakest among the weaker sections.

In the face of enormity and diversity of the problems of rural credit in India, in general, and in Eastern Uttar Pradesh, in particular, the overall performance, with some gaps here and there, may not look very insignificant. These small rural based institutions, with low resources at their disposal, have kindled the hope among the rural poor, and this is exactly what the other financial institutions failed to achieve during their long years of functioning with all sorts of state patronage and vast resources at their disposal.

Credit deposit ratio indicates the contribution of banks to the development of the area under its jurisdiction. Higher the CDR, the bank's interest in the development of the area is higher and vice versa. The available figure of CDR shows that

the ARBs did not show much interest in the local deployment of deposits in eastern Uttar Pradesh. The average AR in respect of all the 13 ARBs of eastern Uttar Pradesh taken together as at the end of June 1986 works out to 26.22% which is the lowest as compared to that in the rest of U.P. (91.19%); all Uttar Pradesh (79.30%); and all India (106.71%). The AR attained by scheduled commercial banks in eastern Uttar Pradesh as at the end of September 1986 was 37.36% only and after deducting the deposits and credit of ARBs, the AR over the same period comes down to 35.37% only. Thus, compared with the commercial banks' AR, the performance of ARBs in local deployment of deposits is distinctly superior at all levels. Thus, it is clear that with regard to the local deployment of funds, the ARBs have reduced the disparities, to a large extent, which was perpetuated by the commercial banks before and even after nationalisation.

Banks are said to be the best instruments of recycling State's resources and by performing this function, they play very important role in the economic resurgence of an economy. The role of ARBs in this regard becomes more important keeping into account (i) the objectives for which they were established; and (ii) their limited resources. The good recoveries increase the resources for further lending and improve the profitability of the banks and vice versa. But the recovery of loans in ARBs is very poor. The available data show that the percentage of overdues to outstanding advances in ARBs of Eastern Region is 19.7%, while in the rest of Uttar Pradesh it is 27.7%, in U.P.

24.2% and at All India level it is 25.5%. Although the recovery performance of Eastern Region's RRBs is better than others, yet the over all performance of all RRBs is very poor and the recovery of loans distributed under government schemes and for agricultural purposes is the poorest. Following reasons may be attributed to the poor recoveries of loans granted by RRBs :-

- (a) At the time of recovery there is absence of that ^{en} zeal and ~~discipline~~ ^{discipline} which is shown at the time of granting the loans particularly through the Credit Camps.
- (b) The beneficiaries, in most of the cases, are wrongly identified and the viability of the project for which loans are approved is not considered.
- (c) Due to dearth of employees in RRBs, the Branch Managers are so over-burdened that they do not have time to supervise the borrowers' activities.
- (d) The people of rural areas are often hit by natural calamities and they come to such pitiable plight that the government takes a lenient attitude in realising loans from them.
- (e) When the government does not take any action against the defaulting borrower (whether to natural calamities or other reasons), other borrowers tend to become indifferent towards repayment.
- (f) Lack of transport facilities in the remote areas make it difficult for employees of RRBs to contact rural public at regular interval.

(g) Loans are generally given without considering the ability and willingness of the loan applicant to repay.

(h) Political interference is also a reason of poor recovery.

The quality of lending in ARBs is better than that in commercial banks, keeping into account their categories, the status of the employees of both types of banks, the nature of their working and the geographical and social situations in which these two types of banks operate. The area of operation and population covered per branch of both types of banks are more or less equal. As per Census of 1981, the area and population covered per branch of ARBs in Eastern Uttar Pradesh was 74.40 sq. km. and 0.36 lakh persons respectively as at the end of June 1985. This figure in case of commercial banks in the same region comes to 70.66 sq. km. and 0.34 lakh persons per branch. By serving the small against the large and poor against the rich the ARBs reduced those disparities which could not be achieved by commercial banks.

In order to enable ARBs to bridge the credit gaps by providing flexible credit assistance to the weaker sections, the provision of refinance and borrowing facilities from various institutions under certain conditions have been the special features built into the ARB scheme. The facilities of re-finance and borrowings -- both schematic and non-schematic -- available to ARBs from various Sponsor Banks and IDBI constitute an important

part of the resources at the disposal of RRBs for deployment among the weaker sections.

Out of the total refinance assistance the major portion comes from NABARD followed by sponsor bank and other institutions. The total refinance to RRBs of Eastern Uttar Pradesh under various lines of credit from various institutions stood at Rs. 5115.13 lakhs as at the end of December 1984 which constituted 51.23 per cent of the total loans outstanding of these banks. This figure for All U.P. is 38.38% and for All India 64.48%. Out of Rs. 5115.13 lakhs, Rs. 4707.93 lakhs came from NABARD only which is 40.96% of the total loans outstanding. Thus, the NABARD through refinance assistance plays a leading role in implementation of various poverty alleviation programmes, e.g. IRDP etc. But refinance is not the remedy for making RRBs economically viable. For example, Gouti Gramin Bank, where the percentage of refinance to total loans outstanding is the highest, is still incurring losses.

Judged on the basis of reserves, the performance of most of the RRBs is very disappointing. The position of most of these RRBs which are unable to create any reserve, is such that their capital is already exhausted and the rest of them are on the verge of it. Although 10 RRBs of the Region are incurring losses, having no reserves and surplus, their position is not so bad as of others. Taking Eastern Uttar Pradesh as a whole the reserve position of RRBs is far better in the sense that Rs. 427.71 lakhs (63.86%) out of Rs. 673.45 lakhs (100%) for whole U.P.

remained with a view to Eastern Uttar Pradesh as at the end of December 1985. This reserve amount of three RRBs -- namely Gorakhpur (Rs. 355.75 lakhs), Azamgarh (Rs. 46.51 lakhs) and Sultanpur (Rs. 328.35 lakhs) works out to 27.80% of All India's reserves.

The management, direction and general superintendence of RRBs rest in the Board of Directors consisting of a minimum of 9 members but not more than 15. Three members of the Board are nominated by the Central Government and Sponsor Bank each and two by the State Government. Besides, the Chairman is also nominated by the Central Government but he comes from sponsor bank. The boards of RRBs are on the pattern prescribed under sections 8 and 9 of the RRBs Act 1975. For other officers and employees of the RRBs, there is provision in the said Act that RRBs may recruit them from within the areas of their operation for efficient performance of their functions. Until recently no uniform practice was followed by the RRBs in the matter of recruitment of staff. But now on the recommendation of the Steering Committee, the recruitment work has been centralised at the State level and this has been entrusted to Banking Service Recruitment Board.

There is also provision of deputation of officers and other employees from the Sponsor bank during the first five years of its working (later this period was extended to 10 years). But even after 12 years of their working, the RRBs are still working with some deputed staff.

barring the sponsor banks' employees, not all but most of the staff of RRBs are the rural oriented and having local touch. But there are following main problems before the RRBs relating to their personnel :

- (i) There is acute shortage of staff in RRBs.
- (ii) A large number of staff still remains to be trained.
- (iii) There is centralization of power in the hands of the Chairman.
- (iv) There is high turn over of RRB personnel because of (a) attraction of higher emoluments in other social banks and elsewhere, (b) hopes for better promotional changes, and (c) lure of urban culture.

The above problems have a crippling effect on the functioning of the banks.

The study of the viability of RRBs differs from that of the commercial banks in the sense that the branches of the latter are spread all over the country, and so, if a rural branch operates at a loss, it is made up by the profits of other urban branches. The RRBs have no such benefit of counter balancing. The Working Group on Rural Banks (1975) had talked of four dimensions for judging the viability of a bank, viz., (i) Area Dimension; (ii) Financial Dimension, (iii) Time Dimension; and (iv) Task Dimension. The viability of RRBs in this context has been divided into two viz., (i) Social Viability; and (ii) Commercial or Economic Viability. The RRBs are socially viable because in spite of various constraints they have, barring a few gaps here and there, responded well in accordance with the

objectives spelt out at the time of their inception.

On the other hand, the RRBs are commercially unviable because their expenditure is more than the income. Working on low cost basis in respect of staffing pattern, salary scales and other administrative expenses, the growth rate of expenditure in RRBs is still more than that of income. At the end of December 1985 over the previous year, the growth rate of income and expenditure of RRBs in Eastern Uttar Pradesh was 27.87% and 31.37% respectively. In rest of U.P., All U.P., and All India level, these rates were 28.50% and 39.64%; 32.01% and 32.03%; and 21.01% and 40.37% respectively.

When RRBs were established it was expected that in the initial years these banks would operate on losses which will be a price worth paying for the achievement of the objective of widening the area of credit coverage. The RRBs have, no doubt, attained that objective but after 12 years of their working, most of them are operating on losses. It is not good either in the interest of the bank or in the interest of the nation as a whole.

Out of 138 RRBs in the country, 152 RRBs have crept into the fatal jaws of heavy losses at the end of December 1985. Among the loss incurring banks, 95 RRBs have already exhausted their total share capital and the rest are almost on the verge of it. In U.P. 29 out of 39 and in Eastern U.P. 10 out of 13 RRBs have been operating on losses over the same period.

The accumulated losses amounted to Rs. 337.72 lakhs in Eastern Region; Rs. 735.32 lakhs in rest of Uttar Pradesh; Rs. 1077.37 lakhs in C.P.; and Rs. 5135.13 lakhs in India as at the end of September, 1965. The position of WSS could have been improved if the Government had accepted the recommendation of the Committee and constituted a Committee with regard to appropriate apportionment of losses among the shareholders.

Over the same period of time, the profit earned by the WSS in Eastern C.P. was Rs. 101.47 lakhs. The profit of all C.P. WSS was Rs. 155.75 lakhs and it was Rs. 375.61 lakhs for all India WSS. Thus, the performance of WSS of Eastern C.P. in terms of profit/loss is satisfactory when compared with that of rest of C.P., the whole C.P. and the whole country.

However, most of the WSS are incurring losses and those earning profit, have very low level of profitability. The reasons responsible for mounting losses and low level of profitability are summarised below :

- (i) The policy of rates of interest is itself conducive to losses. There is wider no difference or loss difference between the two rates of interest -- the one which banks on their deposits with Reserve Bank and the other, the WSS allow to their depositors.
- (ii) The difference between the interest rates charged from the borrowers and that allowed to the depositors is too insufficient to meet the cost of operation.

(iii) A large number of branches of banks are unproductive.

Most of them have too low level of business to cover the cost of operation.

(iv) There is restriction on their general location.

(v) The banks have not attained the optimum level in terms of assets expansion. The business in all branches expands slowly and the banks have to meet with the cost of establishment and cost of operation.

(vi) The banks have been restricted from performing such banking activities which may generate additional income for them for no or least expenses.

(vii) Cost of the accounts in banks are small and cost of servicing small accounts is comparatively high.

(viii) The staff attached by banks particularly in Western States is not very good.

(ix) Recovery of loans distributed under government schemes and for agricultural purposes is very poor.

(x) Low salary structure, minimum facilities and less chances of promotion for the employees of banks.

SUGGESTIONS :

Having judged the performance of ARBs on various grounds, the following suggestions are presented to make these banks stronger so that they may attain economic viability and improve their profitability).

1. Such policy must be framed that the ARBs branches do not affect the business of ARBs branches in rural areas. The business of commercial bank rural branches should be transferred to ARBs because these branches affect the business of the ARBs in rural areas and particularly at those centres where the branches of both the banks exist side by side. The Santwala Committee, after a careful consideration of the pros and cons of the matter, had recommended the transfer of eligible rural branches of commercial banks to ARBs in a phased manner. The CRPWARD also endorsed this recommendation and had opined that if it is done, most of the ARBs, each covering one district, would be viable eventually. At the Conference convened by the Planning Commission in March 1962 to consider the recommendations of the CRPWARD, there was also general endorsement of this recommendation by all concerned. The RBI had also advised some Sponsor Banks to frame proposals for transfer of business to ARBs in selected areas on a pilot basis. But the matter is still pending.

For the implementation of this recommendation in the ARBs Act requires amendments and there will be need to widen

the scope of RAB business so that activities coming under the priority sector, other than those relating to big farmers and the like, can be handled by RABs. There may be some technical difficulties in transferring the commercial bank rural branches to RABs as legal issues are involved in transferring such business and at the same time the fundamental principles of the RAB scheme may be violated. So two steps must be taken to avoid any affect of commercial bank branches on the business of RAB branches.

(a) There must be clear cut demarcation of the area of operation between the branches of CBS and RABs particularly at such places where both type of branches exist side by side at a very short distance.

(b) There must also be clear cut demarcation between the nature of business operation such as CBS branches can not grant loans for such and such purposes and less than such and such amount, and for RAB branches, it can not grant loan for such and such purposes and not more than such and such amount.

2. The jurisdiction of an RAB should be confined to only one district. It will help the RABs to remain in close contact with the development programmes of the district and with the cooperative and commercial banking institutions operating in that area. There should be one RAB for each economic region and the branches of that RAB should be 60-75 per district. It will reduce the burden of population on every branch.

There are some banks whose jurisdiction is more than one district. Their confinement to one district may create some problems. If it is so, there should be one RRB for one economic region. If it is so, there should be one RRB for one economic region, e.g., five RRBs for U.P. It will reduce the establishment expenses particularly of the Head Offices.

3. Efforts should be made that RRBs may tap deposits from the affluent sections. In spite of various constraints the RRBs, particularly those in Eastern Uttar Pradesh, did play very useful role in mobilising a considerable part of the savings in their jurisdiction. There has been a feeling that they would be in a better position to tap deposits from the affluent sections if they are also allowed to extend credit facilities to them. Such an extension of function was also favoured by the Dantwala Committee. But this would affect the image of RRB as a "small man's bank". Hence following measures may be suggested so that RRBs may attract more deposits particularly from the affluent sections:

(a) RRBs should be allowed to undertake those activities which may attract deposits. For example, issue and encashment of drafts, discounting of bills, etc. In this way, the deposits shall come in Current Accounts and Savings Bank Accounts from the affluent sections on the one hand and the image of RRB as "small man's bank" shall remain unaffected on the other. Moreover, the commission and discount received by performing the above mentioned task would also generate additional income for RRBs

and their profitability will also improve. One point may be raised here that ARBs are regionally based having one or two districts under their operation. Then how can this country-wide function successfully be done by them? The answer is, through the branches of their Sponsor Banks. The Sponsor Banks have their branches throughout country and they are committed to assist ARBs in their efficient functioning.

(b) The times are such that in the present competitive set up of banks, deposits do not flow in automatically and can not grow also unless efficient personalised service is given to the customers on a continual basis. The ARBs, in particular, have a pivotal role to play as deposit mobilisers because a large part of the economy is still non-monetised and flow of funds from that sector into the banking sector is negligible. So two things are necessary viz., (i) Convassing for deposits through outdoor contacts; (ii) good service. The former work, for every employee of the ARBs to whichever category he may belong, must be made compulsory. Just as productivity is assessed, the capacity of an employee "to meet people and get deposits" should also be assessed. For confirmation after probationary period and promotion of an employee, the results produced in external work should be made a condition. If the employees do it successfully, they must be appreciated through letters by higher authorities. The staff of ARBs can canvass deposits by generating a sense of belonging among the customers that the bank/branch belongs to them and their prosperity lies in the

growth of the bank/branch which is meant to serve the people to improve the economy. When the customers are convinced, they will also take part in mobilising for deposits and their involvement in deposit mobilisation will have multiplier and wonderful effects on deposits of banks.

(c) Uniform rates of interest on deposits must prevail in every type of bank operating in the rural areas. The rate of interest on deposits by Central Cooperative Banks on term deposits is more than that in the Banks. It should not be so.

(d) Banks should be recognised as "Approved Banks" for keeping surplus funds of Central, State Governments and semi-autonomous corporations and preference should be given to them for keeping funds of developmental agencies.

(e) Banks should be permitted to open non-resident accounts.

(f) State-wise Deposit Mobilisation Campaigns should be undertaken with the financial assistance from NABARD offering small gifts to depositors.

4. The Banks are meant only for small men with small means. The performance of these banks in providing credit and banking facilities to such persons as compared to other financial institutions has been laudable. Their performance has also been appreciated by the people and various committees appointed by the GOI, RBI and NABARD. But there are some gaps in their working. The needy persons are sometimes deprived from loan facilities. Following steps should be taken to fill in those gaps :

(a) The identification of beneficiaries should be done by bank staff and not by the Block Authorities or other development agencies of the State Governments. If identification is done by the bankers, the selection of beneficiaries will be more proper on the one hand and on the other there will be control of bank staff on the activities undertaken by the borrowers. The bank staff will consider not only the economic status of the persons concerned but the viability of schemes also for which loan is being demanded.

(b) Distribution of loans should not be through Credit Camps as it is not in the general interest of the weaker sections, the cost of organising Credit Camps is high which yields nothing except the propaganda.

(c) The recommendation of the Bantwale Committee to provide supervisory assistance to borrowers along with the credit facilities still stands valid. The main responsibility of the RRBs is to make available adequate and timely credit to the weaker sections but more important is that they should provide various assistance to them in the better utilisation of loans and in improving their production and productivity. Professor M.L. Bantwale has called it "Credit-cum-extension service."

(d) The finance to agricultural sector should not be less than fifty per cent of the total advances by RRBs because (i) agriculture has been and will remain to be the main source of livelihood for majority of the population in India and creates

employment opportunities through multiplier effect; (ii) agriculture has, since long, been the credit starved sector; and (iii) the development of agriculture depends mainly upon the adequacy of credit. Thus, agriculture is more important than only other sector included in the priority sectors.

(e) Development Plans for the villages & poverty alleviation programmes should be prepared and decided in consultation with the villagers and the RRBs staff.

(f) The Government should establish specialised agencies which may purchase the produce of the rural artisans at support price.

5. Interest-free banking system, even on pilot basis, should be introduced in the country particularly for weaker sections. When there is Differential Rates of Interest (DRI) scheme in the country only for the weakest among the weaker sections and only 4% interest is charged on loans under this scheme, there will arise no problem in introducing the interest free banking. This system will be useful for both the affluent and weaker sections.

The then Minister of State for Home and Chairman of the Estimates Committee of Parliament (Presently Minister of State for Defence) Mr. Chintamani Panigrahi has also favoured the interest free loans. Replacing the scheme of subsidies on loans to the poor by the scheme of interest-free loans, would lead a

service of about Rs. 700 crores as at present available totalling about Rs. 1500 crores.¹

Whether the loan is given at low rate of interest or at high rate of interest or at no interest, the rural people, in particular, need some other type of assistance in the utilisation of these loans which may improve their production and productivity. The intensified supervision over utilisation of loans may ensure generation of incremental income. It will give better return to banks in the form of the share in profit and prompt repayment than the interest. The Committee also did not favour the concession in the rate of interest as such. The Committee had opined that "the assistance rendered by the bank by way of this type of service (identification of projects which would help augmenting their incomes, assistance in the preparation of bankable projects, tying up arrangements for supply of inputs as also for marketing of finished products, and supervision over expenditure incurred) would be more fruitful, even though more costly, than the concession in the cost of interest borne by individual borrowers. The latter probably has an immediate psychological effect and a sort of popular appeal, but the type of credit-cum-extension service would confer more lasting benefits."²

1. The Economic Times, New Delhi, October 26, 1986, p. 9.

2. Report of the Review Committee, op.cit., p. 81.

The interest-free banking system is a very wide subject and requires a separate research for its introduction in India. But here this system may be favoured mainly on the following grounds :

(a) The poverty stricken people deserve pity, generous sympathy and above all financial help. The interest taxed person is certainly weaker than the interest charger. Charging interest runs contrary to modesty, kindness and generosity. The upliftment of the most down trodden people is very possible through the interest-free banking services.

(b) Interest increases the cost of production which in turn have to be borne by the consumers.

(c) Irrespective of the rate of interest be it one per cent, 4% or more, there is a burden on the borrowers.

(d) Above all, the experiences in any field are always converted into the policies framed for bringing development in that field. Mrs. Indira Gandhi in her message, sent on the occasion of International Seminar on Banking and Development held in Bombay in February 1970 had said that "Each country has to find its own answer to its problems, the experience of other countries, developed and developing can provide important and useful guidelines." The important events in the history of Indian banking, e.g., introduction of the scheme of social control over banks, nationalisation of commercial banks, establish-

ment of co-ops, etc., are all testimony to the fact that experiences gained, whether from India or abroad, were converted into policies and effects of these policies have always been monitored closely and systematically. Similarly the interest-free banking, as practised now in many countries of the world and being so far quite successful, must be introduced here also and there is no reason to believe that it will fail.

6. The government should provide necessary infra-structural facilities in the remote areas. Merely opening of branches at remote centres can not solve the problems of villagers, unless and until infra-structural facilities are made available.

7. The banks should increase the CDR to the optimum level of 100 per cent particularly in the very backward areas like Eastern U.P. An increase in the level of credit deployment will not only increase the level of economic development of the concerned areas but it will also enable the banks to achieve viability and improve their profitability.

8. Greater attention must be paid to the recovery of loans. The government should, with great zeal and enthusiasm, solve this problem of recovery because recovery affects the funds at the disposal of the banks. For improving the recovery following measures are recommended :

(a) Identification of beneficiaries should be done by bank staff and not by professional politicians. If it is so there should be careful appraisal of loan applications. Bankers are

more important than the professional politicians in matters of judging the viability of the scheme for which loan is being demanded whether under government schemes or bankable schemes. In case the identification is to be done necessarily by the BDOs etc., there should be provision of recovery from the identification authority in case the borrowers do not repay.

(b) Recovery is poor sometimes due to the forgery and fraud committed by some black sheep among RAB staff because in several cases loans go to the non-existent beneficiaries. There should, therefore, be strict provision of recovery of dues from those staff.

(c) All the overdues particularly of agricultural loans outstanding at present should be treated arrears of land revenue.

(d) The retired court officials connected with recovery, execution of decrees, auctioning, etc. should be appointed in RABs whether on contract basis or permanent basis.

(e) RAB staff should be encouraged by the government to take interest in recovery of loans.

(f) The State Government should share the responsibility of recoveries.

9. In view of the growing demands for credit, poor reserve and surplus position of all the RABs and their mounting losses, it is necessary to raise their capital. The CLAFICARD

has already recommended for it and all the officials interviewed during this study expressed their opinion in favour of raising the present level of capital which was set some twelve years ago. The value of money has also declined over this period. Now the authorized capital should be raised to Rs. 5 crores from Rs. one crore and paid up capital should be Rs. one crore instead of Rs. 25 lakhs.

The composition of share capital should also include subscription from local institutions and individuals i.e. there should also be local participation in the share capital of banks. The Banking Commission which proposed the establishment of rural banks had recommended that 49 per cent of share capital of such rural banks should be offered to the local people for subscription. The Working Group on Rural Banks (1975) had also argued that subscription to the share capital by cooperative banks/societies, other local institutions and individuals would help to foster a spirit of local participation, and recommended the following composition of share-holding :

Central Government	.. 50 per cent
Sponsor Bank	.. 25 per cent
State Government	.. 10 per cent
Local Participation	.. 15 per cent

The RBI Act, however, deleted local participation in share capital and retaining the share of Central Government at 50 per cent, enhanced the shares of sponsoring bank and of the

State Government to 35 per cent and 15 per cent respectively.

The Dantewala Committee also, after weighing pros and cons had concluded that there would be distinct advantages in permitting local participation in the share capital of the RRBs, and recommended the following composition of share-holding.

Reserve Bank of India	.. 25 per cent
Sponsoring Bank	.. 40 per cent
State Government	.. 15 per cent
Local Participation	.. 20 per cent

In the light of the above, the change in the present composition of share capital of RRBs is strongly recommended which should include local subscription also. And on which, as per the recommendations of the Working Group, a minimum guaranteed dividend equivalent to the interest paid by commercial banks on one year's fixed deposit should be paid.

10. The Chairman of RRB comes from the Sponsor Bank and some other officers are also deputed by the Sponsoring Bank. In case of other employees of RRBs, there is high exodus of personnel. These factors have created some problems for RRBs. For the efficient management of RRBs following suggestions may be presented :

(a) The Chairman of RRBs should come from the senior cadre who are retired from the Ministry of Agriculture, Rural Development or Finance.

(b) Since the ARBs are now well past the creeping stage of their lives, the deputed staff should be withdrawn by the Sponsor Bank. The Pantwala Committee had expressed the apprehension that if the Chairman is a person deputed by the Sponsoring Bank, he may bring his bank's culture with him which may not be in consonance with the concept of the ARB. The same thing applies in case of other staff on deputation. Secondly, since they (i.e. Chairman and other deputed staff) have to show the business, they may not be bothered about the identification of borrowers. Thirdly, ARB/staff consider themselves as inferior to those who are on deputation in ARBs. In order to avoid fictitious lending and some extra expenses, Chairman and other staff should not come from the Sponsor Bank.

(c) There are a number of employees still untrained, the facilities of training should be increased from that provided by ARB, CAS and Sponsor Banks at present.

(d) The power vested in Chairman should be decentralised so as to have sufficient control over ARB/staff.

(e) High exodus of employees affects the profitability of the institution. In order to check the exodus of personnel, retention policies should be adopted. It should be in the form

of increased pay, better promotional avenues, etc. Binding and compelling policies like bond system may not bring good results.

(g) The posting of the staff should preferably be at his home place or at nearby places. The basic requirement for a RRB staff should be his adaptability to live in a rural setting. It is said that the local staff, if they are from the same place where the branch operates, are not very much useful to develop business. They have been responsible in many cases to create trouble because they are from the same place. If political influence is not exercised, with the strict provision of punishment for the staff on creating the trouble, the recruitment and posting of local persons would be useful in various ways, viz., (i) the local persons would be able to tap more deposits from their areas; (ii) the identification of borrowers will be proper and the loans will go to really needy persons; (iii) recovery shall improve; and (iv) the characteristic of local feel and familiarity will be strengthened.

11. The salary of the RRB staff must at least be equal to that of the commercial bank staff. It will affect the profitability of the RRBs favourably. The RRBs staff do not get city comforts and facilities in the villages. Their job is very painstaking. The RRBs are devoid of facilities such as food, residence and means of transport. The last of these hurdles makes it very inconvenient for the employees to contact the rural

service. Moving cash from one branch to another also poses a heavy risk to the life and person of the employees. Covering long distance on foot is an inevitable hardship for him and it becomes impossible when the rainy season sets in. Yet a uni-
versity graduate undertakes the responsibility of improving the economic condition of the country on such a small scale of salary and under such unfavourable conditions. Is it not the need of the hour to encourage and inspire such devoted workers by giving them the salary equal to that of commercial bank staff?

All the officers interviewed during the course of this study, expressed their opinion in favour of making the pay of RRB staff equivalent to that of commercial bank staff. The Government had rejected the demand of the RRB staff for higher emoluments saying that it will be inconsistent with the basic concept of RRB as "a low cost institution". The Narasimham Group had also suggested working of regional banks on low cost budget in respect of staffing pattern, salary scales and other establishment expenses in order to achieve favourable cost-benefit-ratio. Thus, the arguments that higher emoluments to RRB staff would affect the image of RRB as "low cost institution" does not hold good. H.J. Sheldor, an authority on cost accounting, has said, "Low wages do not necessarily mean low cost. It is a widely recognised fact that the efficiently organised factories may pay the highest wages and yet have the minimum cost." The principle which applies in case of manufacturing organisation, also applies in service organisation.

Fixing the low salary scales for RRBs staff, the policy makers have placed them in the third category but there is wide difference in the status of the employees of the RRBs and the other nationalised banks. The policy of discrimination is so discouraging that the employees of the RRBs are hit by an inferiority complex while in fact they should get more encouragement, inspiration, applause and reward for their painstaking services in helping the rural people and removing their poverty. When the pay scale is revised for RRB staff at least equivalent to the salary of commercial bank staff, there will be motivating environment in RRBs, the workers will work with maximum efficiency recoveries will improve, exodus of personnel will come to an end, efficient staff will be attracted and above all increase in the pay will in one way or the other improve the profitability of the RRBs by which the extra burden of salary will easily be met and the RRB shall remain as the low cost budget institution.

12. The RRBs have, no doubt, attained the social viability but alongwith that attainment of economic viability and improvement in profitability also become equally important. The causes of RRBs being economically unviable are varied and complex. The above measures would help in attaining the commercial viability but the following suggestions would also be useful for the purpose :

- (a) There should be considerable margin between borrowing and lending rates of interest, i.e. borrowing from various institutions and lending to different sectors by RRBs.

- (b) There should be new institutional arrangements for the implementation of the anti-poverty programmes of the Government of India because these programmes particularly the loan schemes have run into bad weather due to the problems they have posed for the banks implementing them. In case it is necessarily to be implemented by RRBs, there should be provision of service charges on the loans granted under government schemes.
- (c) There should be provision of interest on the cash reserves of RRBs maintained with the RBI.
- (d) The RRBs should be exempted from the payment of guarantee premium to DI & CCI.
- (e) RRBs should be allowed to undertake those banking activities also from which they can generate additional income for no or least expenses, e.g., issue of drafts, etc.

To sum up, if the above suggestions are accepted and necessary steps are taken, the RRBs will get new lease of life and there is no reason to believe that these banks will not be economically viable units. RRBs have the potential and capability to attain viability and improve profitability. But at present they are economically unviable and the government policy is responsible for their unviability.

Appendix - 1-A

Plan Outline and Central Assistance

Period	Per capita Plan Outlay		Per capita Central Assistance	
	U.S.	All States average excluding U.S.	U.S.	All States average excluding U.S.
	\$s.	\$s.	\$s.	\$s.
First Plan	24	41.04	13.33	25.75
Second Plan	34	54.45	17.01	27.51
Third Plan	75	90.54	44.87	55.65
Three Annual Plans	52.63	60.43	30.54	36.49
Fourth Plan	103.09	123.39	56.19	64.52
Fifth Plan				
Sixth Plan				
Seventh Plan				

Annexure - 2B (contd.)

**DISTRICT-WISE AND OCCUPATION-WISE CLASSIFICATION OF OUTSTANDING CREDIT OF
SCHEDULED COMMERCIAL BANKS
(AS ON THE LAST FRIDAY OF DECEMBER 1975)**

STATE: UTTAR PRADESH

(AMOUNT IN THOUSANDS OF RUPEES)

OCCUPATION DISTRICT	TOTAL BANK CREDIT		OF WHICH FOR SMALL SCALE INDUSTRIAL UNITS		AGRICULTURE AND ALLIED ACTIVITIES (INCLUDING PLANTATIONS)							
					TOTAL		OF WHICH					
							DIRECT FINANCE		INDIRECT FINANCE		ALLIED ACTIVITIES	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	1	2	3	4	5	6	7	8	9	10	11	12
AGRA	19,321	2485.16	2,208	925.89	7,963	334.24	7,596	301.46	126	24.55	241	8.23
ALIGARH	12,027	1298.51	985	325.36	6,190	192.55	4,726	146.50	1,133	38.73	331	7.32
ALLAHABAD	11,674	2106.24	594	301.62	3,356	102.69	3,222	72.63	75	24.12	58	5.69
ALMORA	3,681	155.49	56	7.36	2,169	2.38	1,731	1.99	150	13	-	-
AZAMGARH	7,587	294.52	196	52.49	2,912	103.64	2,840	96.75	56	5.75	16	1.14
BAHRAICH	2,162	106.97	62	7.66	1,029	42.34	1,006	39.60	18	2.18	4	30
BALLIA	4,649	116.57	33	3.33	3,420	77.76	2,578	54.55	824	20.63	18	2.58
BANDA	1,709	89.56	55	9.63	453	28.99	440	26.75	8	1.31	5	93
BARABANKI	2,687	461.23	50	9.56	1,339	91.12	1,248	79.11	64	11.65	27	36
BAREILLY	7,802	1266.98	360	140.13	1,047	108.41	955	94.24	36	11.55	56	2.62
BASTI	8,108	311.35	683	18.18	4,501	134.07	4,410	120.91	58	12.80	33	36

OCCUPATION DISTRICT	INDUSTRY											
	TOTAL		FOOD PROCESSING		TEXTILES		CHEMICALS		METALS		ENGINEERING	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	13	14	15	16	17	18	19	20	21	22	23	24
AGRA	5,438	1698.89	143	187.47	68	81.89	86	63.97	202	193.05	242	336.18
ALIGARH	2,104	608.42	164	200.52	77	81.19	35	19.16	371	288.19	9	4.01
ALLAHABAD	2,628	1679.82	26	27.90	31	198.07	76	78.10	59	44.71	72	662.57
ALMORA	125	134.94	-	-	-	-	3	78	-	-	-	-
AZAMGARH	1,119	91.56	-	-	121	37.36	-	-	5	5.45	1	3
BAHRAICH	121	24.15	7	14.42	-	-	-	-	1	30	-	-
BALLIA	434	9.60	-	-	-	-	3	54	6	1.43	-	-
BANDA	195	18.75	6	2.35	-	-	-	-	-	-	-	-
BARABANKI	301	332.90	8	45.18	-	-	8	267.87	6	2.34	-	-
BAREILLY	2,536	770.68	75	141.27	6	84	24	274.82	36	56.54	43	27.95
BASTI	737	142.28	11	120.81	5	-	-	-	-	-	-	-

OCCUPATION <

Annexure-2a (contd.)

**DISTRICT-WISE AND OCCUPATION-WISE CLASSIFICATION OF OUTSTANDING CREDIT OF
SCHEDULED COMMERCIAL BANKS
(AS ON THE LAST FRIDAY OF DECEMBER 1975)**

STATE: UTTAR PRADESH

(AMOUNT IN THOUSANDS OF RUPEES)

OCCUPATION DISTRICT	TOTAL BANK CREDIT		OF WHICH FOR SMALL SCALE INDUSTRIAL UNITS		AGRICULTURE AND ALLIED ACTIVITIES (INCLUDING PLANTATIONS)							
					TOTAL		OF WHICH					
							DIRECT FINANCE		INDIRECT FINANCE		ALLIED ACTIVITIES	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	1	2	3	4	5	6	7	8	9	10	11	12
BIJNOR	4,030	467.36	1,372	190.66	1,245	78.19	1,232	76.02	10	1.56	2	45
BUDAUN	4,361	191.82	86	20.02	2,344	58.20	2,050	27.89	190	10.13	104	20.18
BULUNDSHAHR	10,907	832.72	437	139.52	5,503	227.68	4,926	196.65	278	21.28	298	9.63
CHAMOLI	689	4.55	-	-	43	52	11	13	-	-	32	30
DEHRADUN	5,420	7154.45	363	147.44	251	32.32	195	8.35	10	1.58	33	18.19
DEORIA	4,967	745.94	67	35.55	3,494	81.68	3,436	66.58	38	12.49	20	2.61
ETAH	15,604	348.21	310	60.91	8,053	111.25	7,508	98.02	47	6.59	498	6.64
ETAWAH	9,255	336.31	560	49.17	6,228	110.26	5,464	95.69	23	1.23	737	13.19
FAIZABAD	4,398	306.61	986	76.16	1,577	101.87	1,516	89.26	48	10.12	17	2.49
FARRUKHABAD	9,376	501.36	550	140.78	6,129	108.73	6,010	93.27	62	12.91	57	2.55
FATEHPUR	3,571	76.04	40	4.21	2,383	44.57	2,248	39.98	12	1.99	119	2.53

OCCUPATION DISTRICT	INDUSTRY											
	TOTAL		FOOD PROCESSING		TEXTILES		CHEMICALS		METALS		ENGINEERING	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	13	14	15	16	17	18	19	20	21	22	23	24
BIJNOR	1,806	324.11	278	244.86	9	3.01	10	4.87	9	4.41	4	98
BUDAUN	298	39.28	23	10.85	8	4.30	4	29	-	-	4	21
BULUNDSHAHR	662	447.53	16	94.44	15	61.65	14	7.71	90	111.32	18	5.12
CHAMOLI	12	17	-	-	-	-	-	-	-	-	-	-
DEHRADUN	1,170	6673.34	10	79.16	13	57.61	60	73.27	30	24.26	11	5874.71
DEORIA	226	608.20	49	571.61	-	-	2	1.32	3	2.32	-	-
ETAH	1,583	133.64	31	69.99	7	1.74	12	2.91	39	10.80	1	20
ETAWAH	807	155.93	91	34.22	3	40.55	9	7.27	7	3.05	2	48.58
FAIZABAD	1,317	133.77	9	23.17	30	3.97	10	4.22	14	7.81	5	91
FARRUKHABAD	960	196.71	10	3.09	198	111.31	47	25.79	4	50	1	22
FATEHPUR	95	11.01	23	3.65	-	-	1	56	-	-	-	-

OCCUPATION DISTRICT	INDUSTRY (CONTD.)						TRADE				ALL OTHERS	
	TRANSPORT OPERATORS		SERVICES		OTHERS		TOTAL		OF WHICH RETAIL TRADE			
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	25	26	27	28	29	30	31	32	33	34	35	36
BIJNOR	116	25.23	303	4.00	1,077	36.75	190	20.05	172	10.02	789	45.01
BUDAUN	56	15.76	139	1.21	64	6.66	210	45.68	142	14.86	1,509	48.66
BULUNDSHAHR	76	4.35	130	5.25	303	157.62	513	95.68	385	15.06	4,229	61.83
CHAMOLI	11	15	1	2	-	-	20	65	20	65	614	3.21
DEHRADUN	364	89.35	331	51.63	351	423.35	755	106.20	658	56.47	3,244	341.59
DEORIA	48	1.55	60	2.69	64	28.71	206	29.91	190	13.96	1,041	26.15
ETAH	173	25.77	1,110	12.30	210	9.93	1,787	44.04	1,748	27.24	4,181	59.28
ETAWAH	95	4.02	118	3.06	482	15.18	335	33.64	225	8.53	1,885	36.48
FAIZABAD	184	31.52	141	4.49	924	57.68	277	24.69	239	16.44	1,227	46.28
FARRUKHABAD	90	16.72	284	7.32	326	31.76	479	93.02	398	19.79	1,808	102.90
FATEHPUR	16	2.97	24	1.35	31	2.48	259	9.88	225	6.15	834	10.58

Annexure-2B (contd.)

DISTRICT-WISE AND OCCUPATION-WISE CLASSIFICATION OF OUTSTANDING CREDIT OF
SCHEDULED COMMERCIAL BANKS
(AS ON THE LAST FRIDAY OF DECEMBER 1975)

STATE: UTTAR PRADESH

(AMOUNT IN THOUSANDS OF RUPEES)

OCCUPATION DISTRICT	TOTAL BANK CREDIT		OF WHICH FOR SMALL SCALE INDUSTRIAL UNITS		AGRICULTURE AND ALLIED ACTIVITIES (INCLUDING PLANTATIONS)							
					TOTAL		OF WHICH					
							DIRECT FINANCE		INDIRECT FINANCE		ALLIED ACTIVITIES	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	1	2	3	4	5	6	7	8	9	10	11	12
GARHWAL	1,027	81.14	45	11.17	49	1.03	5	9	19	66	25	28
GHAZI PUR	6,510	179.78	32	4.57	3,313	106.11	3,255	96.69	50	9.02	8	40
GONDA	2,085	296.31	29	3.40	1,258	61.56	1,207	58.26	47	3.04	4	26
GORAKHPUR	9,780	750.16	811	80.61	7,169	243.62	7,057	220.98	73	19.66	39	2,113
HAMIRPUR	2,251	94.02	9	54	1,532	55.27	1,519	54.46	8	64	5	17
HARDOI	4,805	231.26	147	42.72	2,686	42.10	1,658	29.41	985	7.49	43	5,20
JAL AUN	2,979	125.99	64	3.28	1,610	63.79	1,597	63.00	9	24	2	51
JAUNPUR	7,462	223.93	60	16.22	4,376	132.39	4,102	93.35	74	8.45	200	30.59
JHANSI	5,390	303.47	112	52.70	2,254	76.29	2,085	61.56	53	8.84	116	5.82
KANPUR	24,327	7574.76	2,404	1360.07	4,874	186.25	2,017	109.44	2,795	64.56	62	12,26
KHERI	2,424	506.46	78	24.15	1,305	105.03	1,291	99.80	13	5.12	1	11

OCCUPATION DISTRICT	INDUSTRY											
	TOTAL		FOOD PROCESSING		TEXTILES		CHEMICALS		METALS		ENGINEERING	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	13	14	15	16	17	18	19	20	21	22	23	24
GARHWAL	217	67.98	12	7.12	-	-	8	1.27	1	15	-	-
GHAZI PUR	493	17.41	4	1.46	1	47	-	-	1	7	1	-
GONDA	90	206.71	17	103.95	-	-	-	-	-	-	-	-
GORAKHPUR	1,135	352.22	27	214.13	1	14.51	14	24.54	34	16.87	5	4.06
HAMIRPUR	41	20.28	-	-	-	-	1	18	1	11	-	-
HARDOI	413	66.74	25	14.45	5	7.16	-	-	1	15	11	4.46
JAL AUN	154	10.78	4	69	-	-	-	-	-	-	-	-
JAUNPUR	279	26.95	2	2.15	-	-	4	1.65	15	7.06	-	-
JHANSI	342	84.09	11	6.97	5	1.14	17	9.31	24	32.73	1	-
KANPUR	7,644	5778.22	83	128.76	326	5235.97	225	173.44	308	452.92	187	402.74
KHERI	356	347.63	41	291.52	-	-	3	3.03	2	64	4	66

OCCUPATION DISTRICT	INDUSTRY (CONTD.)								TRADE		ALL OTHERS	
	TRANSPORT OPERATORS		SERVICES		OTHERS		TOTAL		OF WHICH RETAIL TRADE			
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	25	26	27	28	29	30	31	32	33	34	35	36
GARHWAL	143	55.36	28	9.98	25	3.10	170	4.78	169	4.78	591	7.35
GHAZI PUR	43	2.29	411	8.40	32	4.72	498	21.85	462	17.38	2,206	34.41
GONDA	25	5.49	15	43	38	91.84	223	14.17	186	5.26	514	13.87
GORAKHPUR	119	16.40	166	12.68	763	49.03	457	92.02	320	24.35	1,019	62.40
HAMIRPUR	44	19.01	38	73	7	25	200	9.53	171	5.22	428	8.94
HARDOI	37	6.61	234	28.87	100	5.04	403	82.50	345	60.76	1,303	39.32
JAL AUN	19	5.56	68	1.76	63	2.77	373	30.05	300	8.87	892	21.37
JAUNPUR	74	6.55	136	3.85	48	5.69	460	23.15	434	19.18	2,347	41.44
JHANSI	153	13.15	88	2.79	93	18.00	411	106.36	292	29.11	2,334	36.73
KANPUR	1,575	263.56	3,222	68.48	1,673	1052.35	5,705	725.46	4,619	128.66	6,144	894.83
KHERI	138	30.76	95	6.34	73	14.68	423	36.21	362	21.87	340	17.59

**DISTRICT-WISE AND OCCUPATION-WISE CLASSIFICATION OF OUTSTANDING CREDIT OF
SCHEDULED COMMERCIAL BANKS
(AS ON THE LAST FRIDAY OF DECEMBER 1975)**

STATE UTTAR PRADESH

(AMOUNT IN THOUSANDS OF RUPEES)

OCCUPATION DISTRICT	TOTAL BANK CREDIT		OF WHICH FOR SMALL SCALE INDUSTRIAL UNITS		AGRICULTURE AND ALLIED ACTIVITIES (INCLUDING PLANTATIONS)							
					TOTAL		OF WHICH					
							DIRECT FINANCE		INDIRECT FINANCE		ALLIED ACTIVITIES	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	1	2	3	4	5	6	7	8	9	10	11	12
LALITPUR	1,215	29.63	44	1.10	404	7.86	404	7.86	-	-	-	-
LUCKNOW	14,393	14030.44	842	484.59	2,879	5507.11	2,550	68.74	101	5419.30	227	19.04
MAINPURI	3,929	217.68	75	52.02	2,138	66.17	2,098	60.00	24	2.87	16	3.30
MATHURA	13,309	578.61	515	146.82	5,826	177.07	4,973	146.97	104	11.77	749	18.33
MEERUT	23,159	8610.14	3,457	1534.82	7,261	465.64	6,424	332.35	86	37.74	750	43.54
MIRZAPUR	3,076	1348.47	408	86.23	1,187	69.32	978	55.42	195	10.89	14	3.01
MORADABAD	17,218	1754.48	1,622	472.23	4,296	210.94	3,222	142.70	163	23.27	911	44.97
MUZAFFARNAGAR	6,334	1466.85	377	152.96	3,562	302.80	3,338	215.60	49	21.76	171	64.32
NAINITAL	14,957	1035.28	467	160.14	10,757	453.18	10,563	428.04	45	19.21	149	5.93
PILIBHIT	8,025	395.66	135	52.97	6,059	148.69	5,669	144.22	386	4.25	4	22
PITHORAGARH	587	168.06	42	1.00	238	1.40	236	1.38	-	-	2	2

OCCUPATION DISTRICT	INDUSTRY											
	TOTAL		FOOD PROCESSING		TEXTILES		CHEMICALS		METALS		ENGINEERING	
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	13	14	15	16	17	18	19	20	21	22	23	24
LALITPUR	110	4.38	1	19	-	-	-	-	-	-	-	-
LUCKNOW	3,208	5094.48	40	116.65	30	124.85	148	131.04	107	257.94	112	152.11
MAINPURI	259	77.83	54	33.07	-	-	1	12	1	15	6	1.99
MATHURA	1,220	344.19	134	70.75	71	16.28	30	27.94	54	27.10	36	25.47
MEERUT	5,883	7341.83	130	608.60	702	1435.91	217	217.51	455	1528.83	606	789.16
MIRZAPUR	563	1211.02	4	1.06	23	169.07	7	130.09	106	601.77	6	20.50
MORADABAD	3,573	942.87	334	473.27	10	20.68	65	29.41	659	293.70	31	13.42
MUZAFFARNAGAR	836	985.78	137	619.39	6	1.12	20	8.17	78	242.04	6	1.28
NAINITAL	2,041	398.30	140	235.67	-	-	14	2.57	23	13.68	6	79
PILIBHIT	288	124.41	126	106.46	-	-	-	-	1	10	-	-
PITHORAGARH	48	161.20	-	-	-	-	2	159.94	-	-	-	-

OCCUPATION DISTRICT	INDUSTRY (CONTD.)						TRADE				ALL OTHERS	
	TRANSPORT OPERATORS		SERVICES		OTHERS		TOTAL		OF WHICH RETAIL TRADE			
	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT	NO. OF A/C'S	AMOUNT
	25	26	27	28	29	30	31	32	33	34	35	36
LALITPUR	11	1.13	53	1.80	45	1.26	61	7.83	21	1.76	640	9.56
LUCKNOW	822	122.02	1,226	139.21	723	4055.66	1,740	2571.52	1,535	149.70	6,566	952.33
MAINPURI	101	12.88	48	2.10	48	27.52	253	33.52	210	12.13	1,279	40.16
MATHURA	108	12.32	567	14.72	220	149.61	1,050	53.00	945	26.96	5,213	104.35
MEERUT	422	96.39	1,413	74.10	1,938	2591.33	1,580	327.01	1,085	108.75	8,435	475.66
MIRZAPUR	47	11.70	50	2.70	320	274.13	350	22.56	322	16.70	976	45.57
MORADABAD	326	32.88	1,094	26.59	1,054	92.92	1,939	246.22	1,590	97.64	7,410	314.45
MUZAFFARNAGAR	48	13.06	337	17.27	204	84.45	338	88.13	203	12.53	1,598	89.14
NAINITAL	221	57.78	1,324	18.76	333	69.05	849	112.67	766	47.35	1,290	71.13
PILIBHIT	27	4.04	87	2.12	47	11.69	424	78.76	342	42.50	1,254	43.80
PITHORAGARH	1	8	3	18	42	1.00	189	3.89	189	3.89	117	1.57

Annexure - 2B (contd.)

**DISTRICT-WISE AND OCCUPATION-WISE CLASSIFICATION OF OUTSTANDING CREDIT OF
SCHEDULED COMMERCIAL BANKS
(AS ON THE LAST FRIDAY OF DECEMBER 1975)**

STATE: UTTAR PRADESH

(AMOUNT IN THOUSANDS OF RUPEES)

OCCUPATION DISTRICT		TOTAL BANK CREDIT		OF WHICH FOR SMALL SCALE INDUSTRIAL UNITS		AGRICULTURE AND ALLIED ACTIVITIES (INCLUDING PLANTATIONS)																	
						TOTAL		OF WHICH															
								DIRECT FINANCE		INDIRECT FINANCE		ALLIED ACTIVITIES											
		NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT										
												1	2	3	4	5	6	7	8	9	10	11	12
PRATAPGARH												2,374	64,10	17	3,71	1,654	28,24	1,582	17,32	71	10,37	1	55
RAE BARELI												6,274	391,81	179	193,21	4,133	74,36	4,052	64,42	40	9,46	41	48
RAMPUR												3,289	465,42	267	26,35	2,014	144,17	1,951	130,74	61	13,05	1	1
SAHARANPUR												10,038	2517,74	570	1040,29	5,425	254,74	5,320	230,43	38	10,38	67	13,93
SHAHJAHANPUR												4,339	444,66	201	103,14	3,085	165,63	3,008	153,20	26	4,47	51	7,96
SITAPUR												3,930	442,58	132	50,90	1,744	58,36	838	49,72	903	8,55	3	9
SULTANPUR												3,245	104,39	23	3,73	1,867	72,90	1,840	70,69	26	2,19	-	-
TEHRIGARHWAL												616	14,18	5	1,73	54	48	4	1	-	-	50	47
UNNAO												2,088	348,37	166	84,69	818	19,15	769	13,17	22	2,86	27	3,12
UTTAR KASHI												828	15,49	12	1,67	50	72	48	69	1	-	-	-
VARANASI												14,477	1991,32	1,932	684,34	4,883	184,71	4,516	136,18	174	43,28	193	5,25

OCCUPATION DISTRICT		INDUSTRY																							
		TOTAL		FOOD PROCESSING		TEXTILES		CHEMICALS		METALS		ENGINEERING													
		NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT												
														13	14	15	16	17	18	19	20	21	22	23	24
PRATAPGARH														80	16,67	-	-	-	-	3	1,21	1	50	5	2,87
RAE BARELI														382	261,69	-	-	6	49,61	14	2	28	91,78	-	-
RAMPUR														410	230,88	33	87,49	3	94,64	6	20,16	1	3,22	-	-
SAHARANPUR														1,348	1963,41	105	468,54	30	135,27	31	14,09	41	37,43	68	1005,08
SHAHJAHANPUR														302	224,23	192	180,95	2	3	1	20	13	5,69	4	1,10
SITAPUR														478	244,77	91	179,86	-	-	3	58	-	-	-	-
SULTANPUR														247	11,85	1	14	-	-	-	-	-	-	2	26
TEHRIGARHWAL														41	6,66	2	2,18	-	-	1	62	1	38	-	-
UNNAO														473	242,53	13	7,71	5	34,57	8	86,84	14	95,23	4	1,51
UTTAR KASHI														24	4,34	-	-	-	-	-	-	-	-	-	-
VARANASI														4,013	1302,17	28	61,52	681	633,28	68	96,82	89	52,10	82	60,72

OCCUPATION DISTRICT		INDUSTRY (CONTD.)						TRADE				ALL OTHERS													
		TRANSPORT OPERATORS		SERVICES		OTHERS		TOTAL		OF WHICH RETAIL TRADE															
		NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT	NO OF A/C'S	AMOUNT												
														25	26	27	28	29	30	31	32	33	34	35	36
PRATAPGARH														46	9,25	9	17	16	2,67	197	8,26	181	6,25	393	10,93
RAE BARELI														59	12,15	152	2,09	123	106,04	425	21,43	416	16,96	1,334	34,33
RAMPUR														43	6,36	73	1,54	251	17,47	391	70,53	310	13,46	474	19,84
SAHARANPUR														118	24,80	574	14,69	381	263,51	479	88,55	361	28,53	2,786	211,04
SHAHJAHANPUR														23	5,72	66	5,47	41	25,07	144	21,31	113	6,82	718	33,49
SITAPUR														100	19,58	142	6,47	92	38,28	353	47,87	269	20,48	1,404	91,58
SULTANPUR														15	1,34	207	5,98	22	4,13	246	8,45	237	7,53	885	11,19
TEHRIGARHWAL														4	1,27	29	1,69	4	52	79	2,09	73	1,89	442	4,95
UNNAO														65	19,86	125	3,63	139	43,18	188	18,90	154	7,20	709	17,79
UTTAR KASHI														3	1,09	7	34	14	2,91	130	4,37	130	4,37	624	6,06
VARANASI														244	34,13	1,368	113,31	1,453	250,29	1,425	249,43	1,092	149,10	4,156	255,01

Annexure - 1-AProgress of Cooperative Credit Movement in India

(Amount in crores of Rupees)

Types of Institution	Item	Cooperative year (July-June)			
		1981-82	1982-83	1983-84	1984-85
1. State Cooperative Banks	Number	27	28	28	28
	Owned Funds	398	473	544	553
	Deposits	1894	2117	2556	2966
	Borrowing from RBI/NABARD	742	955	1184	791
	of which short-term Agricultural Purposes	528	573	584	446
	Working capital	3356	3895	4494	4853
	Loans Issued	3804	4190	4444	4417
	Loans Outstanding	2512	2906	2916	3150
	Loans Overdue	165	183	178	245
	Percentage of overdues to :				
	(i) Loans outstanding		6.3	6.1	7.8
	(ii) Demand		7.4	10.0	10.5
2. Central Cooperative Banks	Number	338	340	349	350
	Owned Funds	733	825	900	955
	Deposits	2768	3184	3766	4322
	Borrowings from RBI/NABARD/Apex Banks	1412	1735	2053	2303
	Working Capital	5327	6241	7155	7926
	Loans Issued	4059	4508	5110	6476
	Loans Outstanding	3683	4305	4707	5075
	Loans Overdue	1094	1330	1567	1463
	Percentage of Overdues to :				
	(i) Loans Outstanding		30.9	33.3	29.8
	(ii) Demand		37.8	41.4	36.9

contd...

Annexure - 3-A contd.

Types of Institution	Item	Cooperative year (July-June)			
		1981-82	1982-83	1983-84	1984-85
3. State/Central Land Development Banks	Number	19	19	19	19
	Owned Funds	327	352	378	428
	Debtenture Outstanding	2135	2325	N.A.	N.A.
	Working Capital	2637	2845	3145	3360
	Loans Issued	369	426+	439+	461+
	Loans Outstanding	1855	2047+	2236+	2386+
	Loans Overdue @	1			
	Percentage of overdues to	1			
	(i) Loans outstanding	-	13.9	12.7	11.2
	(ii) Demand	-	43.9	44.0	42.8
4. Primary Agricultural Credit Societies	Number (000's)	94	94	92	92
	Membership (000's)	60999	63312	66669	69182
	Owned Funds	824	880	957	1035
	Deposits	314	381	464	524
	Borrowings	2742	2858	3164	3743
	Total Loans Issued	2110	2291	2158	2693
	Total Loans Outstanding	2966	3108	2554	3981
	Total Loans Overdue	1			
	Percentage of Overdues to :	1			
	(i) Loans Outstanding	-	42.1	45.0	40.9
5. Primary Cooperative Banks*	Number	1259	1281	1310	1331
	Owned Funds	282	395	429	511
	Deposits	1650	2278	2659	3255
	Borrowings	146	315	195	210
	Loans Outstanding	1425	1802	2103	2524

Source : 1. RBI: Report on Trend and Progress of Banking in India 1984-85, p. 145-47

2. RBI: Report on Trend and Progress of Banking in India 1985-86, p. 143-49

③ Includes interest overdue

* Include salary Earners' Societies

± Provisional

+ Long term loans.

Annexure 4-A

District-wise area and Decennial Population of Eastern Uttar Pradesh (1951-1981).

Sl. no.	Districts/ Region/State	Area in Sq. Kms.		Population in Lakhs				
		Total	Rural	Urban	1951	1961	1971	1981
1.	Allahabad	7261	7114.2	146.3	20.48	24.38	29.37	37.97
2.	Azamgarh	5740	5671.5	64.5	21.02	24.08	28.57	35.44
3.	Ballia	3189	3145.1	43.9	11.95	13.36	15.89	19.45
4.	Basti	7228	7176.2	51.3	23.98	26.27	29.84	35.78
5.	Bahraich	6877	6854.6	22.4	13.46	15.00	17.27	22.16
6.	Deoria	5445	53.64.6	80.4	21.03	23.75	28.12	34.97
7.	Faizabad	4511	4417.7	93.3	14.82	16.33	19.27	23.83
8.	Ghazipur	3370	3327.4	49.6	11.41	13.22	15.32	19.45
9.	Gonda	7352	7291.1	60.9	18.77	20.73	23.02	28.35
10.	Gorakhpur	6272	6189.2	82.9	22.39	25.65	30.38	37.96
11.	Jaunpur	4038	3998.0	40.0	15.17	17.27	20.05	25.33
12.	Mirzapur	11310	11209.6	100.4	10.17	12.50	15.41	20.39
13.	Pratapgarh	3717	3667.9	49.1	11.11	12.52	14.23	18.01
14.	Sultanpur	4436	4425.1	10.9	12.82	14.13	16.43	20.43
15.	Varanasi	5091	4933.3	157.7	19.79	23.62	28.52	37.01
Eastern U.P.		85637	84578.5	1055.5	248.27	282.82	331.71	416.52
Uttar Pradesh		294411	289650.6	4560.4	632.16	737.46	883.41	1108.62

Source : 1. Census of India 1951 Uttar Pradesh Part II-A General Population Tables, pp. 114-189.
2. Census of India 1961 Vol. IV Uttar Pradesh Part II-B(1) General Economic Tables pp. 2-79.
3. Primary Census Abstract 1981.

Annexure 4-B

Area-wise Decennial Population of Eastern District of
Uttar Pradesh
(1951 - 1981)

Sl. no.	Districts/ Region/state	1951		1961		1971		1981	
		(Population in Lakhs)							
		Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
1.	Allahabad	16.52	3.66	19.94	4.44	23.95	5.42	30.23	7.74
2.	Azamgarh	19.94	1.08	22.93	1.15	27.09	1.48	32.18	3.26
3.	Ballia	10.84	1.11	12.86	0.50	15.16	0.73	17.68	1.77
4.	Basti	23.42	0.46	25.99	0.38	29.09	0.75	34.06	1.72
5.	Bahraich	12.75	0.72	14.20	0.80	16.25	1.02	20.60	1.56
6.	Deoria	20.30	0.73	23.17	0.58	27.29	0.93	32.65	2.32
7.	Faizabad	13.45	1.37	14.92	1.42	17.43	1.84	21.21	2.61
8.	Chazipur	10.16	1.25	12.76	0.45	14.63	0.69	17.90	1.54
9.	Gonda	17.86	0.92	19.72	1.01	21.72	1.30	26.27	2.08
10.	Gorakhpur	20.72	1.76	23.73	1.87	27.68	2.40	33.94	4.02
11.	Jaunpur	14.33	0.94	16.36	0.91	19.80	1.25	23.64	1.69
12.	Mirzapur	9.03	1.14	11.05	1.44	13.56	1.85	17.71	2.68
13.	Pratapgarh	10.84	0.26	12.31	0.21	13.95	0.28	17.10	0.91
14.	Sultanpur	12.65	0.17	13.87	0.26	16.11	0.32	19.75	0.67
15.	Varanasi	15.63	4.16	18.09	5.53	21.35	7.17	27.06	9.95
Eastern U.P.		225.74	19.53	251.86	20.96	304.34	27.37	372.00	44.51
Uttar Pradesh		545.90	86.26	642.67	94.90	759.56	123.85	909.63	198.99

Annexure 4-C

Sex-wise Decennial Population of Eastern Uttar Pradesh
(1951-1961)

(Population in Lakhs)

Sl. no.	Districts/ Region/State	1951		1961		1971		1981	
		Males	Females	Males	Females	Males	Females	Males	Females
1.	Allahabad	10.52	9.96	12.64	11.74			20.09	17.88
2.	Azamgarh	10.43	10.60	11.95	12.23			17.54	17.90
3.	Ballia	5.36	6.09	6.56	6.80			9.80	9.65
4.	Basti	12.20	11.68	13.48	12.79			18.56	17.22
5.	Bahraich	7.06	6.40	7.90	7.09			11.95	10.21
6.	Deoria	10.50	10.53	11.47	11.89			17.59	17.38
7.	Faizabad	7.52	7.30	9.24	8.09			12.32	11.51
8.	Ghazipur	5.71	5.71	6.54	6.67			9.78	9.67
9.	Gonda	9.72	9.05	10.73	10.00			15.00	13.35
10.	Gorakhpur	11.28	11.11	12.97	12.68			19.56	18.39
11.	Jaunpur	7.50	7.67	8.38	8.89			12.61	12.72
12.	Mirzapur	5.14	5.03	6.44	6.05			10.80	9.59
13.	Pratapgarh	5.45	5.66	6.07	6.45			8.98	9.03
14.	Sultanpur	6.41	6.41	7.01	7.12			10.37	10.06
15.	Varanasi	10.12	9.66	12.12	11.51			19.43	17.59
	Eastern U.P.	125.42	122.86	142.90	140.00	171.49	160.22	214.37	202.15
	Uttar Pradesh	330.99	301.17	386.34	351.12			588.192	520.43

Annexure 4-D(1)

Working Population of Eastern Uttar Pradesh as per census of 1931. (Figs. in lakhs)

Districts/ Region/state	Total main workers	Cultivators	Agricul- tural labours	House-hold industry, manufac- turing, pro- cessing, ser- vicing & repairs	Other workers	Marginal workers	Non- workers
1. Allahabad	11.24	5.20	2.57	0.62	2.85	0.24	26.49
2. Azamgarh	9.41	5.75	1.65	0.75	1.26	2.04	28.99
3. Ballia	4.95	2.42	1.59	0.14	0.80	0.23	14.28
4. Basti	10.89	7.77	1.79	0.31	1.03	1.17	23.72
5. Bahraich	7.16	5.79	0.69	0.08	0.61	0.11	14.89
6. Deoria	10.01	6.37	2.02	0.23	1.39	2.17	22.79
7. Faizabad	6.84	4.32	1.22	0.23	1.02	0.18	16.81
8. Ghazipur	4.93	2.85	1.05	0.23	0.85	0.35	14.11
9. Gonda	9.06	7.05	1.07	0.13	0.82	0.21	19.07
10. Gorakhpur	10.74	5.86	2.94	0.27	1.77	0.79	26.42
11. Jaunpur	6.36	4.21	0.84	0.32	1.00	0.53	18.44
12. Mirzapur	7.15	3.03	2.15	0.52	1.44	0.22	13.02
13. Pratapgarh	4.96	3.32	0.96	0.14	0.53	0.08	12.97
14. Sultanpur	5.90	3.76	1.36	0.17	0.61	0.27	14.26
15. Varanasi	10.29	3.64	1.74	1.50	3.41	0.39	26.33
Eastern U.P.	119.94	71.33	23.54	1.70	19.39	1.98	292.59
Uttar Pradesh	323.97	189.58	51.77	12.00	70.62	16.55	76.81

Source : Primary Census Abstract 1931, pp. 4-25.

Annexure - 4D(11)

Percentage Distribution of Main workers of each sex by broad industries categories of 1981 census

Sl. no.	Districts/ Region/State	Total main workers		Cultivators		Agricultural labours		Household Industry		Other workers	
		M	F	M	F	M	F	M	F	M	F
1.	Allahabad	100.00	100.00	48.35	33.66	19.33	50.00	5.43	6.03	27.94	10.31
2.	Azamgarh	100.00	100.00	65.96	35.81	12.23	45.03	6.95	13.40	14.16	5.76
3.	Ballia	100.00	100.00	53.63	19.63	26.20	68.69	2.54	4.49	17.83	7.17
4.	Basti	100.00	100.00	74.23	43.36	13.03	45.18	2.60	4.79	9.99	4.67
5.	Bahraich	100.00	100.00	81.59	54.11	8.76	34.59	1.11	1.78	9.54	9.52
6.	Deoria	100.00	100.00	67.55	43.13	14.71	49.12	2.14	2.85	15.60	4.90
7.	Faizabad	100.00	100.00	65.32	34.45	14.15	49.59	4.02	6.54	15.51	9.39
8.	Ghazipur	100.00	100.00	60.39	36.11	17.01	48.34	4.21	6.98	18.39	8.57
9.	Gonda	100.00	100.00	79.51	54.80	9.85	37.38	1.36	1.91	9.28	5.91
10.	Gorakhpur	100.00	100.00	57.74	31.32	21.91	59.60	2.47	2.67	17.88	6.41
11.	Jaunpur	100.00	100.00	68.00	51.69	10.34	95.78	5.02	4.61	16.64	7.93
12.	Mirzapur	100.00	100.00	45.44	29.33	22.45	63.19	8.48	2.16	23.63	5.32
13.	Pratapgarh	100.00	100.00	70.02	51.19	15.29	41.42	2.89	3.04	11.80	4.35
14.	Sultanpur	100.00	100.00	67.44	39.79	1.77	50.90	2.62	3.95	11.17	5.36
15.	Varanasi	100.00	100.00	36.31	26.76	13.50	47.90	15.10	10.13	35.09	15.26
<hr/>											
	Eastern U.P.	100.00	100.00	62.84	39.15	15.78	48.44	4.46	5.02	16.92	7.39
	Uttar Pradesh	100.00	100.00	59.53	47.83	14.16	35.23	3.56	5.21	22.75	11.73

Source : Primary Census Abstract 1981, P. X-XVIII

Annexure - 6A (Contd.)
STATE/BANK-WISE DISTRIBUTION OF OFFICES, DEPOSITS,
ADVANCES (OUTSTANDING) AND OVERDUES OF
REGIONAL RURAL BANKS
(As at the end of June 1986)

15

(Amount in lakhs of rupees)												
Sr. No.	Name of the State/RPB	Date of Estab- lishment	No. of distri- cta cover- ed	No. of bran- ches	Deposits		Outstanding Advances		Overdue Advances		% of over- due to out- stdg. advances.	Credit Deposit Ratio (%)
					No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount		
1	2	3	4	5	6	7	8	9	10	11	12	13
	ANDHRA PRADESH		20	896	1500003	12686.42	870641	17946.24	243108	4625.30	25.8	139
1.	Nagarjuna Gr. Bank.	30.04.76	2	148	282268	1942.91	158624	3587.93	-	408.12	27.8	185
2.	Rayalaseema Gr. Bank.	06.08.76	2	142	307854	2129.00	124605	3133.11	43540	1004.22	32.0	147
3.	Sri Visakha Gr. Bank.	30.09.76	3	168	194947	1053.00	244559	3861.00	107387	858.00	22.2	129
4.	Sree Anantha Gr. Bank.	01.11.79	1	67	138439	743.18	50665	1403.09	20511	427.00	30.4	149
5.	Sri Venkateshwara Gr. Bank.	22.03.81	1	66	124178	978.57	60787	1514.63	21048	289.97	19.1	155
6.	Sri Saraswathi Gr. Bank.	30.03.82	1	69	51084	508.18	40638	459.95	14530	139.15	30.3	77
7.	Sangameshwara Gr. Bank.	31.03.82	1	60	48884	619.86	42636	779.94	5235	23.16	10.3	128
8.	Manjira Gr. Bank.	31.03.82	1	63	53037	1082.62	39844	995.17	7651	131.85	11.2	92
9.	Pinakini Gr. Bank.	11.06.82	2	74	91873	700.43	42351	965.28	9824	184.98	19.7	138
10.	Kakathiya Gr. Bank.	28.06.82	1	43	36841	290.39	34628	575.11	5370	100.70	18.1	198
11.	Chaitanya Gr. Bank.	25.03.83	1	36	35734	307.13	10310	254.97	8251	148.45	58.2	83
12.	Sathavahana Gr. Bank.	28.03.83	1	42	24389	343.77	18934	384.54	470	112.50	28.5	115
13.	Gokulada Gr. Bank.	15.02.85	1	10	2309	39.62	754	11.31	51	0.10	0.8	29
14.	Sri Bank.	21.02.85	1	7	3028	43.91	468	9.47	20	0.09	1.0	22
15.	Kanakadurg Gr. Bank.	28.03.86	1	1	167	4.85	26	0.74	-	-	-	15
	ASSAM		12	321	498709	3901.34	109130	2852.08	63408	800.22	28.1	73
16.	Barak Valley Regional Bank.	06.07.78	3	134	296004	2483.00	53164	1567.37	34258	805.43	32.3	63
17.	Lakshmi Baidya Bank.	28.07.80	3	80	120082	837.53	30538	789.71	16470	178.25	22.6	94
18.	Cachar Gr. Bank.	31.03.81	2	40	32695	201.00	9169	218.88	6207	50.97	24.4	109
19.	Imphal Valley Rural Bank	27.01.82	2	35	22055	217.41	12388	177.97	4780	53.53	30.1	82
20.	Imphal Valley Regional Bank.	30.03.82	2	32	27103	162.40	3869	98.13	1683	11.04	11.3	60
	BIHAR		37	1775	2185739	22193.19	1093476	18908.65	400623	4472.12	23.8	84
21.	Bank of Bihar Gr. Bank.	26.12.75	2	150	289567	4115.00	70791	1624.00	-	133.00	32.8	39
22.	Champaran Ksh. Gr. Bank.	21.03.76	2	147	224194	1284.74	106193	2180.53	71883	649.67	30.1	188
23.	Muzaffarpur Gr. Bank.	10.11.76	3	150	195022	2785.95	76128	1503.60	-	154.41	23.5	54
24.	Kushin Ksh. Gr. Bank.	23.12.78	4	164	167985	1304.14	111540	1919.35	-	228.17	11.9	147
25.	Veikshat Ksh. Gr. Bank.	10.03.77	3	189	349797	2478.99	194802	3203.10	77070	572.52	17.9	128
26.	Mithila Ksh. Gr. Bank.	12.03.77	2	102	140480	1244.81	51363	1313.22	32774	216.79	16.5	196
27.	Saundhal Patna Ksh. Gr. Bank.	30.03.77	4	191	142746	1278.75	157262	1014.76	82180	501.18	69.4	79
28.	Madhubani Ksh. Gr. Bank.	31.03.79	1	89	119374	638.87	51171	1288.84	37507	525.11	60.5	70
29.	Malanda Gr. Bank.	31.03.79	1	64	55831	783.82	23609	532.26	14400	122.28	23.0	68
30.	Singhbhum Ksh. Gr. Bank.	31.03.79	1	74	57789	618.72	28448	394.89	16560	86.97	22.5	64
31.	Suphila Ksh. Gr. Bank.	14.03.80	1	80	101325	778.79	37531	1052.20	22064	248.31	28.4	135
32.	Samastipur Ksh. Gr. Bank.	12.05.80	1	72	62970	557.26	46571	605.76	22464	64.21	10.6	109
33.	Palamou Ksh. Gr. Bank.	15.05.80	1	72	37825	1457.47	42987	577.66	-	84.56	14.6	39
34.	Ranchi Ksh. Gr. Bank.	21.06.80	3	84	44369	623.90	35007	421.66	12914	82.26	19.5	67
35.	Gopalganj Ksh. Gr. Bank.	27.03.81	1	58	75767	629.91	18023	448.71	-	71.78	15.7	71
36.	Saran Ksh. Gr. Bank.	28.03.81	1	62	49347	571.60	17721	401.30	-	56.98	14.2	70
37.	Siwan Ksh. Gr. Bank.	31.03.81	1	69	71029	766.11	20552	406.00	10835	16.90	4.0	53
38.	Giridih Ksh. Gr. Bank.	30.06.84	1	11	4109	49.28	810	10.71	-	-	-	22
39.	Hazaribagh Ksh. Gr. Bank.	19.11.84	1	14	3818	30.38	235	4.52	-	-	-	15
40.	Patliputra Gr. Bank.	27.11.84	1	5	831	65.51	80	1.95	56	0.32	16.4	3
41.	Bhagalpur Bank Ksh. Gr. Bank	22.03.85	1	11	3056	71.60	510	10.25	-	-	-	14
42.	Bagmati Ksh. Gr. Bank.	23.03.85	1	7	1759	46.19	142	3.18	-	-	-	7

Annexure - 6A (Contd.)

STATE/BANK-WISE DISTRIBUTION OF OFFICES, DEPOSITS,
ADVANCES (OUTSTANDING) AND OVERDUES OF
REGIONAL RURAL BANKS (Contd.)

(As at the end of June 1986)

(Amount in lakhs of rupees)

Sr. No.	Name of the State/RRB	Date of Estab-lishment	No. of distri-cta covered	No. of bran-ches	Deposits		Outstanding Advances		Overdue Advances		% of over-due to out-stg. advances.	Credit Deposit Ratio (%)
					No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount		
1	2	3	4	5	6	7	8	9	10	11	12	13
	GUJARAT		16	301	189519	2026.73	66149	1585.67	33696	281.90	17.8	78
43.	Jamnagar Gr. Bank.	26.12.78	2	48	32514	413.60	13630	335.49	7787	114.21	34.0	81
44.	Kutch Gr. Bank.	26.12.78	1	41	37476	400.61	12347	339.48	8412	91.02	26.8	85
45.	Banaskantha Mehsana Gr. Bank	29.11.81	2	66	52317	496.43	17703	406.39	9733	34.62	8.5	82
46.	Panchmahal Gr. Bank.	30.03.82	1	58	34194	205.89	11697	279.53	4764	14.88	12.5	138
47.	Surendranagar Bhavnagar Gr. Bank.	15.12.83	2	27	5707	47.22	2324	37.38	979	7.27	5.9	79
48.	Surat Gr. Bank.	23.02.84	2	18	9003	153.52	2508	65.85	351	1.14	1.7	43
49.	Surat-Bharuch Gr. Bank.	23.02.84	2	25	12571	239.83	4982	96.82	1471	3.21	3.3	40
50.	Banaskantha-Gandhinagar Gr. Bank	09.08.84	2	8	3106	20.98	654	15.35	187	0.92	3.4	73
51.	Surat Gr. Bank.	02.11.84	2	10	2731	48.85	304	9.37	12	0.10	1.1	19
	HARYANA		9	218	380163	4328.11	120789	3845.28	44477	955.62	24.9	63
52.	Haryana Ksh. Gr. Bank.	02.10.75	2	81	133799	1893.00	36599	1196.00	2	169.21	14.2	63
53.	Haryana Gr. Bank.	28.03.76	3	112	236200	2285.00	81445	2563.00	43673	781.00	30.5	112
54.	Haryana Gr. Bank.	02.10.84	2	13	4841	63.41	1637	47.70	414	3.72	7.8	75
55.	Haryana Gr. Bank.	18.01.85	2	12	5323	86.70	1108	38.58	390	1.69	4.4	44
	HIMACHAL PRADESH		4	92	192617	2270.41	35262	1163.92	-	154.69	13.3	51
56.	Himachal Gr. Bank.	23.12.76	3	91	192617	2259.91	35240	1162.10	-	154.69	13.3	51
57.	Himachal Gr. Bank.	02.11.85	1	1	-	10.50	22	1.82	-	-	-	17
	KARNATAKA		10	261	253682	2825.38	58820	1400.68	24282	332.41	23.7	71
58.	Karnataka Rural Bank.	12.03.76	4	94	107396	1302.32	19555	514.11	12375	214.15	41.9	71
59.	Karnataka Gr. Bank.	16.07.79	4	73	88082	918.91	28271	656.98	7732	75.86	11.6	72
60.	Karnataka Rural Bank.	16.08.81	2	94	60704	604.15	8994	229.57	4005	41.20	19.0	70
	KASHMIR		19	973	1931955	8872.72	681500	17050.42	262991	4374.33	25.0	70
61.	Kashmir Gr. Bank.	25.01.76	2	157	424594	1912.44	188094	3986.70	79861	1382.88	34.7	200
62.	Kashmir Gr. Bank.	16.08.76	2	198	594923	2931.32	180392	5612.39	57510	1450.96	25.8	191
63.	Kashmir Gr. Bank.	02.10.76	2	115	245999	1008.35	77860	2080.69	40438	851.42	41.7	173
64.	Kashmir Gr. Bank.	01.12.78	2	102	96295	649.27	67923	1227.57	39381	245.00	29.0	180
65.	Kashmir Gr. Bank.	05.08.81	1	96	184826	647.01	71139	1387.44	21698	222.85	16.4	211
66.	Kashmir Gr. Bank.	31.03.82	2	76	83654	384.92	33805	719.20	1407	60.76	8.4	102
67.	Kashmir Gr. Bank.	16.02.83	1	65	96585	387.55	28724	674.75	6773	93.28	13.8	176
68.	Kashmir Gr. Bank.	31.03.83	1	83	113180	547.00	33411	857.00	3723	36.37	3.8	175
69.	Kashmir Gr. Bank.	28.04.84	2	40	47368	212.32	9645	298.13	2805	25.53	8.5	181
70.	Kashmir Gr. Bank.	06.09.84	1	19	21759	89.96	6941	137.24	2650	21.11	15.4	177
71.	Kashmir Gr. Bank.	11.10.84	1	12	8431	47.14	1769	41.94	357	0.87	2.1	89
72.	Kashmir Gr. Bank.	12.10.84	1	8	10048	43.25	1736	35.73	576	1.30	0.04	77
73.	Kashmir Gr. Bank.	27.03.85	1	1	383	29.19	69	3.54	-	-	-	12
	KERALA		5	262	1070269	4856.00	432161	8332.01	82131	1519.48	18.2	112
74.	South Malabar Gr. Bank.	11.12.76	3	144	595405	2703.00	293485	5120.00	62319	1249.00	24.5	107
75.	North Malabar Gr. Bank.	12.12.76	2	118	474864	2153.00	138676	3212.01	19812	250.48	8.1	107
	MADHYA PRADESH		44	1415	1300412	10530.09	501295	11304.87	263556	3142.47	27.8	107
76.	Kashmir Gr. Bank.	20.01.76	2	90	130545	1262.96	45808	1269.78	29296	465.89	36.7	70

Annexure - 6A (Contd.)
STATE/BANK-WISE DISTRIBUTION OF OFFICES, DEPOSITS,
ADVANCES (OUTSTANDING) AND OVERDUES OF
REGIONAL RURAL BANKS (Contd.)
 (As at the end of June 1986)

(Amount in lakhs of rupees)

Sr. No.	Name of the State/RRB	Date of Establishment	No. of districts covered	No. of branches	Deposits		Outstanding Advances		Overdue Advances		% of over-due to out-stg. advances	Credit Deposit Ratio (%)
					No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount		
1	2	3	4	5	6	7	8	9	10	11	12	13
MADHYA PRADESH (Concl'd)												
72.	Bilaspur Raipur Ksh. Gr. Bank.	20.10.76	2	150	134874	1238.00	79052	1278.00	55334	634.00	49.6	103
78.	Rewa-Jidhi Gr. Bank.	20.12.76	2	79	139171	1219.72	28050	760.37	20790	284.37	37.4	62
79.	Bundelkhand Ksh. Gr. Bank.	26.03.77	2	82	26617	784.00	52589	1126.54	25446	216.84	19.2	144
80.	Sharda Gr. Bank.	31.03.78	1	57	48442	445.37	12755	386.74	8179	149.14	38.3	87
81.	Surgeja Ksh. Gr. Bank.	24.10.79	1	82	81429	373.29	28680	685.87	11771	70.12	10.2	184
82.	Bastar Ksh. Gr. Bank.	15.12.79	1	62	46520	417.50	38202	508.25	15960	109.08	21.5	122
83.	Durg-Rajnandgaon Gr. Bank	12.03.80	2	100	128666	854.24	41497	1020.84	22029	201.36	19.7	156
84.	Jhabua-Dhar Ksh. Gr. Bank.	20.06.80	2	85	109959	732.26	36498	1045.08	23676	549.15	52.5	143
85.	Raigarh Ksh. Gr. Bank.	31.01.81	1	65	52437	204.25	20382	407.45	8865	111.01	27.2	199
86.	Shivpuri Tuna Ksh. Gr. Bank.	28.03.81	2	58	59477	545.30	21283	544.79	7469	90.47	16.6	100
87.	Damoh-Panna-Sagar Ksh. Gr. Bank.	30.03.81	3	70	79417	366.95	19234	485.91	9053	109.12	22.5	132
88.	Dewas Shajapur Ksh. Gr. Bank.	30.03.82	2	55	38430	348.11	11824	347.74	4687	24.77	7.1	100
89.	Nimar Ksh. Gr. Bank.	26.06.82	2	70	48873	558.89	20553	502.23	8056	72.82	14.5	80
90.	Ma dia-Balaghat Ksh. Gr. Bank.	14.11.82	2	56	26358	186.98	10876	166.47	2039	7.17	4.3	89
91.	Chhindwara-Seoni Ksh. Gr. Bank.	20.01.83	2	70	51282	288.21	13089	257.86	1648	20.73	8.1	89
92.	Rajyash Ksh. Gr. Bank.	23.03.83	2	42	28791	232.46	7174	189.26	1913	10.64	5.3	89
93.	Shahdol Ksh. Gr. Bank.	23.06.83	1	41	25408	180.09	5297	106.80	2785	10.70	10.0	68
94.	Ratlam Mandla Ksh. Gr. Bank.	14.11.83	2	40	20185	194.01	3522	81.84	1458	4.89	6.0	42
95.	Chambal Ksh. Gr. Bank.	11.02.84	2	32	10108	87.88	1708	37.83	-	-	-	43
96.	Mahakaushal Ksh. Gr. Bank	01.04.84	2	14	7109	102.42	1777	44.80	664	0.74	1.6	44
97.	Indora-Ujjain Ksh. Gr. Bank.	19.11.84	2	13	5811	81.15	1115	38.79	166	0.65	1.7	68
98.	Gwalior-Datia Gr. Bank.	19.09.85	2	4	501	27.05	170	2.31	73	0.05	2.2	8
99.	Vidisha Bhopal Ksh. Gr. Bank.	31.03.86	2	1	-	-	-	-	-	-	-	-
MAHARASHTRA												
100.	Maharashtra Gr. Bank.	26.08.76	5	218	301994	2081.33	87548	2450.85	35013	782.92	32.0	113
101.	Aurangabad-Jalna Gr. Bank.	07.12.82	2	48	50782	301.53	10196	459.80	3880	24.62	20.6	112
102.	Chandrapur-Gadchiroli Gr. Bank	04.02.83	2	38	40140	317.88	12853	284.20	4932	24.40	11.1	83
103.	Akola Gr. Bank.	16.10.83	1	39	24416	174.88	9212	304.86	1268	31.38	-	174
104.	Ratnagiri-Sindhudurg Gr. Bank.	19.11.83	2	32	20886	151.48	5109	113.04	880	4.23	10.3	75
105.	Solapur Gr. Bank.	21.01.84	1	30	19198	149.11	2766	112.27	162	1.62	3.7	75
106.	Bhandara Gr. Bank.	06.02.84	1	40	29882	204.61	8517	157.71	N.A	20.13	12.8	77
107.	Yavatmal Gr. Bank.	29.01.85	1	9	2397	27.77	781	19.20	242	0.62	3.2	69
108.	Buldhana Gr. Bank.	17.10.85	1	1	343	10.52	49	2.04	-	-	-	19
109.	Thane Gr. Bank.	30.03.86	1	1	707	12.37	-	-	-	-	-	-
MANIPUR												
110.	Manipur Rural Bank.	28.05.81	8	22	17245	44.55	3365	60.63	2609	17.60	29.0	136
MEGHALAYA												
111.	Ka Bk. Nongkyndong Ri Khasi Jaintia	29.12.81	3	41	27837	228.39	10468	192.24	-	10.51	5.5	84
NAGALAND												
112.	Nagaland Rural Bank.	30.3.83	7	8	1767	41.92	604	24.97	428	5.35	21.4	60

Annexure - 6A (Contd.)
STATE/BANK-WISE DISTRIBUTION OF OFFICE DEPOSITS,
ADVANCES (OUTSTANDING) AND OVERDUES OF
REGIONAL RURAL BANKS (Contd.)
 (As at the end of June 1986)

(Amount in lakhs of rupees)

Sr. No.	Name of the State/RRB	Date of Estab-lishment	No. of distri-cts covered	No. of branches	Deposits		Outstanding Advances		Overdue Advances		% of over-due to out-stg. advances.	Credit Deposit Ratio (%)
					No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount		
1	2	3	4	5	6	7	8	9	10	11	12	13
	ORISSA		13	41	930254	6195.78	740579	12205.39	253095	2784.55	22.8	197
113.	Puri Gr. Bank.	25.02.76	1	100	129750	897.82	91461	1697.55	72485	817.54	48.0	189
114.	Bolangir Anch. Gr. Bank.	10.04.76	3	140	115732	775.91	119953	2216.70	72335	1160.54	52.3	288
115.	Cuttack Gr. Bank.	11.10.76	1	121	260709	1699.47	157005	3316.74	-	60.23	2.1	195
116.	Koraput Panchabati Gr. Bk.	13.11.76	1	87	119572	862.00	135755	1815.00	37048	267.00	14.7	211
117.	Kalahandi Anch. Gr. Bank.	26.05.80	2	62	53175	366.62	70508	816.25	18260	108.79	13.3	223
118.	Baitarani Gr. Bank.	23.06.80	2	85	85095	518.80	82173	1035.21	39418	95.71	9.2	200
119.	Balesore Gr. Bank.	08.08.80	1	61	69827	380.01	25425	397.32	-	106.11	26.7	102
120.	Rushikulya Gr. Bank.	14.02.81	1	68	55048	401.77	30500	489.84	-	39.69	8.1	122
121.	Dhenkanal Gr. Bank.	12.08.81	1	47	40736	283.58	27699	420.79	14119	122.01	29.0	148
	PUNJAB		10	112	61571	900.65	25097	718.48	5087	31.10	4.3	80
122.	Kapthahala Ferozpur Ksh. Gr. Bank.	30.03.83	2	31	18134	256.81	5933	196.30	1144	5.80	2.2	76
123.	Chitrali Ksh. Gr. Bank.	01.03.83	2	32	20507	275.65	9737	234.65	1798	7.73	3.3	85
124.	Gurdaspur Amritsar Ksh. Gr. Union Bank.	31.03.83	2	48	27034	350.85	9374	284.77	2167	18.11	6.5	81
125.	Malwa Gr. Bank.	27.02.86	2	1	331	17.24	53	2.76	-	-	-	16
126.	Ferozkot-Bhatinda Gr. Bk.	22.03.86	2	-	-	-	-	-	-	-	-	-
	RAJASTHAN		27	875	869404	8122.40	344298	9782.63	141373	2477.96	25.3	120
127.	Jalgaon-Nagaur Anch. Gr. Bk.	02.10.75	2	140	132709	1785.15	64309	2165.57	49895	1106.45	51.1	121
128.	Marwar Gr. Bank.	09.09.76	3	129	144033	1510.82	104764	3034.84	60100	136.39	24.3	201
129.	Shukrawati Gr. Bank.	07.10.76	2	96	12198	1672.09	50173	1448.09	-	12.48	22.3	87
130.	Matodhar Gr. Bank.	29.03.79	1	53	98877	412.33	29640	837.72	-	69.25	8.3	293
131.	Alwar Bhatnagar Anch. Gr. Bank.	28.02.81	3	80	61748	633.35	26583	598.34	13077	82.33	13.8	93
132.	Asavali Ksh. Gr. Bank.	02.10.81	2	60	44536	341.79	15426	380.96	7431	53.57	16.3	111
133.	Hadoti Ksh. Gr. Bank.	14.10.82	2	109	40180	541.52	15465	372.81	-	13.82	14.4	67
134.	Mewar Anch. Gr. Bank.	25.01.83	1	58	15313	304.44	9120	195.49	2720	10.32	9.6	65
135.	Thar Anch. Gr. Bank.	31.01.83	3	61	26616	238.74	11227	334.06	4313	16.77	5.9	149
136.	Bundi-Chittorgarh Ksh. Gr. Bank.	23.03.84	2	66	29495	200.55	5697	124.01	1665	4.19	3.4	62
137.	Unilvarn-Ajmer Ksh. Gr. Bk.	24.03.84	2	35	17890	176.86	5375	138.19	1207	3.78	2.7	78
138.	Dungarpur-Banswara Ksh. Gr. Bank.	25.03.84	2	27	11297	95.52	2563	65.22	562	1.73	2.6	68
139.	Sri Ganganagar Ksh. Gr. Bk.	31.03.84	1	38	21930	187.74	2445	77.91	-	3.13	4.1	41
140.	Bikaner Ksh. Gr. Bank.	25.03.85	1	17	536	21.50	261	8.51	-	-	-	40
	TAMILNADU		8	151	309944	1808.22	151645	3083.78	57670	870.57	28.4	170
141.	Pandyan Gr. Bank.	09.03.77	4	150	308980	1791.00	151178	3049.16	57670	870.57	28.4	170
142.	Adhiyaman Gr. Bank.	27.12.85	1	1	964	15.22	467	14.62	-	-	-	96
143.	Vallalar Gr. Bank.	19.06.86	1	-	-	-	-	-	-	-	-	-
	TRIPURA		3	77	156530	2051.04	109123	2353.99	59030	6093.51	42.0	115
144.	Triputa Gr. Bank.	21.12.76	3	77	156530	2051.04	109123	2353.99	59030	6093.51	42.0	115
	UTTAR PRADESH		51	2767	4027001	36046.65	1468789	28851.92	174798	6093.25	24.2	78
145.	Prathama Bank.	02.10.75	2	162	554870	2773.99	140598	4299.00	22360	1571.00	36.5	155
146.	Gorakhpur Ksh. Gr. Bank.	07.10.75	2	192	406373	5618.36	325462	2970.76	-	573.21	19.5	53
147.	Samyut Ksh. Gr. Bank.	06.01.76	2	154	334055	3700.01	91488	2305.23	44331	431.50	18.7	62
148.	Barabanki Gr. Bank.	27.03.76	1	89	152518	1612.00	62181	1282.09	-	319.00	24.1	75
149.	Farrukhabad Gr. Bank.	29.03.76	1	82	130764	1544.00	55409	1184.00	28149	453.0	38.3	77

Annexure - 6A (Concl'd.)
**STATE/BANK-WISE DISTRIBUTION OF OFFICES, DEPOSITS,
 ADVANCES (OUTSTANDING) AND OVERDUES OF
 REGIONAL RURAL BANKS (Concl'd.)**
 (As at the end of June 1986)

(Amount in lakhs of rupees)

Sr. No.	Name of the State/RRB	Date of Estab- lishment	No. of distri- cts cov- ered	No. of bran- ches	Deposits		Outstanding Advances		Overdue Advances		% of over- dues to out- stg. advances	Credit Deposit Ratio (%)
					No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount		
1	2	3	4	5	6	7	8	9	10	11	12	13
UTTAR PRADESH (Concl'd.)												
150.	Rao Bareilly Ksh. Gr. Bank.	29.03.78	1	71	121758	1426.40	49810	953.14	-	327.50	34.4	87
151.	Bhagirath Gr. Bank.	19.09.78	1	108	290508	2093.97	57920	1370.07	31889	310.28	22.8	85
152.	Ballia Ksh. Gr. Bank.	25.12.78	1	82	138400	1739.17	55789	1800.38	31484	373.88	23.4	92
153.	Sultanpur Ksh. Gr. Bank.	08.02.77	1	89	208178	1808.84	52553	1089.52	11842	211.12	19.4	80
154.	Hardoi-Unnao Gr. Bank.	07.08.77	3	113	184839	1503.00	56810	948.00	52198	511.00	53.9	83
155.	Kanpur Ksh. Gr. Bank.	27.02.80	1	101	101817	1050.80	31150	815.70	-	43.62	5.3	78
156.	Bravasthi Gr. Bank.	04.03.80	1	85	115186	793.05	36427	940.31	-	43.98	4.7	119
157.	Etawah Ksh. Gr. Bank.	18.03.80	1	49	60331	584.00	17649	472.76	-	139.40	29.5	81
158.	Kisan Gr. Bank.	19.05.80	1	53	56651	342.02	21544	361.23	10031	73.64	20.4	108
159.	Kshetriya Kisan Gr. Bank.	20.05.80	1	70	56719	323.24	16150	318.72	-	16.79	5.3	99
160.	Koshi Gr. Bank.	28.07.80	1	79	86289	797.94	29053	814.58	17025	215.01	26.4	102
161.	Basti Gr. Bank.	01.08.80	1	89	108465	1027.00	58629	556.00	8458	107.00	19.2	54
162.	Allahabad Ksh. Gr. Bank.	23.08.80	1	67	59559	585.77	16151	370.95	9941	80.63	21.7	68
163.	Pratapgarh Ksh. Gr. Bank.	25.08.80	1	68	80492	698.84	20986	393.29	-	121.44	30.9	56
164.	Fatehpur Ksh. Gr. Bank.	05.09.80	1	62	63757	576.69	18506	389.35	10581	84.89	21.8	68
165.	Fatehpur Ksh. Gr. Bank.	06.09.80	1	48	47967	384.78	13854	274.11	-	72.10	28.3	71
166.	Bareilly Ksh. Gr. Bank.	27.09.80	2	77	63367	552.60	18711	312.17	9963	98.96	31.7	58
167.	Devi Pathan Ksh. Gr. Bank.	17.01.81	1	67	62380	605.47	24038	462.29	-	114.60	24.8	76
168.	Aligarh Ksh. Gr. Bank.	22.03.81	1	80	11489	378.86	38851	1120.97	-	207.89	18.8	128
169.	Unnao Gr. Bank.	28.03.81	1	83	70544	548.30	21353	405.45	-	47.28	10.5	74
170.	Etah Gr. Bank.	29.03.81	1	65	65834	292.44	27785	460.04	17513	188.99	41.3	157
171.	Guntur Gr. Bank.	30.03.81	1	70	64415	745.95	23678	541.79	-	98.31	18.1	73
172.	Chhatrapati Gr. Bank.	30.03.82	2	79	56486	412.03	23892	467.28	8052	61.64	13.2	113
173.	Hansi Lakshmi Bai Ksh. Gr. Bank.	01.04.82	2	43	31401	268.41	14113	366.13	-	-	-	138
174.	Vidua Gr. Bank.	18.01.83	1	37	1159	268.57	7829	172.78	1907	10.84	3.0	64
175.	Shahjahanpur Ksh. Gr. Bank.	24.03.83	1	31	10577	149.97	3132	78.95	1487	15.66	19.8	53
176.	Nainital Almora Ksh. Gr. Bank.	26.03.83	2	43	23009	174.88	7047	121.51	3661	10.72	8.8	69
177.	Vindhyavasini Gr. Bank.	30.03.83	1	39	22891	272.43	5431	114.72	2495	14.71	12.8	42
178.	Sarayu Gr. Bank.	09.08.83	1	42	23187	231.37	5657	146.15	1137	30.06	20.6	63
179.	Jamuna Gr. Bank.	02.12.83	1	43	33941	222.97	12494	309.76	-	-	-	139
180.	Muzaffarnagar Ksh. Gr. Bank.	27.07.84	1	18	11294	131.18	3719	104.80	-	6.35	6.1	80
181.	Pithoragarh Ksh. Gr. Bank.	27.03.85	1	4	570	6.32	232	3.38	85	0.09	2.7	53
182.	Ganga Yamuna Gr. Bank.	28.03.85	3	12	3392	29.03	831	32.89	-	-	-	114
183.	Alaknanda Gr. Bank.	31.08.85	2	5	1152	91.89	77	1.80	29	0.04	2.2	2
WEST BENGAL			15	714	954884	9711.74	521834	8315.56	243198	3321.58	40.0	88
184.	Cour Gr. Bank.	02.10.75	2	125	143018	1699.54	104232	1685.41	49887	860.71	39.2	98
185.	Mallabhum Gr. Bank.	09.04.76	3	159	243269	2699.32	104557	1588.09	-	588.08	37.0	59
186.	Mayurakshi Gr. Bank.	16.08.78	1	65	82084	745.00	81052	710.23	49420	477.55	67.2	95
187.	Uttaranga Ksh. Gr. Bank.	07.03.77	3	100	169224	1288.37	110027	1840.03	75519	773.85	42.1	145
188.	Nadia Gr. Bank.	27.08.80	1	54	43236	444.91	23637	368.65	13143	122.78	33.3	83
190.	Sagar Gr. Bank.	24.09.80	1	91	158109	1544.35	70375	1385.14	32716	454.68	33.3	88
191.	Bardhaman Gr. Bank.	25.11.80	1	79	70303	825.59	37420	557.95	17428	161.98	29.0	68
192.	Hourah Gr. Bank.	12.06.82	2	40	45547	485.64	10524	199.70	5283	81.97	41.0	41
193.	Murshidabad Gr. Bank.	17.11.84	1	1	114	1.02	10	0.36	-	-	35.3	35
ARUNACHAL PRADESH			4	14	3507	48.40	371	6.88	140	1.31	19.1	14
194.	Arunachal Pradesh Rural Bk.	30.11.83	4	14	3507	48.40	371	6.88	140	1.31	19.1	14
MIZORAM			3	33	11180	230.95	4682	175.96	1443	16.03	9.1	76
195.	Mizoram Rural Bank.	27.09.83	3	33	11180	230.95	4682	175.96	1443	16.03	9.1	76
ALL INDIA			343	12755	1755065	144351.38	7463125	154033.98	2604956	39142.78	25.4	107

ANNEXURE C-1

Loans issued under special programmes in India of Eastern Uttar Pradesh

(Amt. in lakhs of Rs.)

Sl. No.	Name of the 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Annexure 6-3 contd....

Sl. no.	Name of the ARBs	1984				1985			
		Jan. to Dec.	Jan. to June	Jan. to June	Jan. to June	Jan. to Dec.	Jan. to June	Jan. to June	Jan. to June
		No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount
1.	Gorakhpur Ksh. Gr. Bank	-	-	-	-	126	-	-	2.11
2.	Sanyut Ksh. Gr. Bank	55	0.93	-	-	-	-	-	-
3.	Ballia Ksh. Gr. Bank	122	3.53	-	-	-	-	-	-
4.	Sultanpur Ksh. Gr. Bank	-	-	-	-	-	-	-	-
5.	Saraswati Gr. Bank	3	0.14	-	-	-	-	-	-
6.	Kashi Gr. Bank	-	-	1	0.01	-	-	-	-
7.	Basti Gr. Bank	-	-	1038	13.90	-	-	-	-
8.	Allahabad Ksh. Gr. Bank	-	-	-	-	-	-	-	-
9.	Pratapgarh Ksh. Gr. Bank	4293	70.40	-	-	-	-	-	-
10.	Faizabad Ksh. Gr. Bank	-	-	-	-	-	-	-	-
11.	Devi Patan Ksh. Gr. Bank	15	0.31	-	-	127	-	-	3.98
12.	Gomti Gr. Bank	-	-	-	-	-	-	-	-
13.	Vindhyavardini Gr. Bank	-	-	-	-	-	-	-	-
Eastern Uttar Pradesh		4435	75.16	1039	19.01	253	6.09		
Rest of Uttar Pradesh		1122	18.27	206	4.76	626	14.20		
All Uttar Pradesh		5557	93.43	1245	23.79	879	20.29		
All India		47053	656.94	12627	267.53	13734	238.08		

contd....

Annexure 6-1 contd....

Sl. No.	Name of the RAS	1984				1985				Jan. to June, 1986			
		No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount	No. of A/cs	Amount
1.	Corakhpur Ksh. Gr. Bank	4007	85.05	804	13.93	25895	267.31	1673	45.09	-	-	-	-
2.	Sanyut Ksh. Gr. Bank	242	2.04	3586	59.25	-	-	-	-	-	-	-	-
3.	Bellia Ksh. Gr. Bank	3924	49.33	1074	26.39	49	0.80	-	-	-	-	-	-
4.	Sultanpur Ksh. Gr. Bank	35	1.69	8	0.37	-	-	-	-	-	-	-	-
5.	Saraswati Gr. Bank	1280	41.73	399	14.34	1957	1.82	-	-	-	-	-	-
6.	Kashi Gr. Bank	10389	90.00	8395	46.00	-	-	-	-	-	-	-	-
7.	Basti Gr. Bank	-	-	-	-	-	-	-	-	-	-	-	-
8.	Allahabad Ksh. Gr. Bank	4298	108.50	-	-	-	-	-	-	-	-	-	-
9.	Pratapgarh Ksh. Gr. Bank	-	-	-	-	-	-	-	-	-	-	-	-
10.	Palzabad Ksh. Gr. Bank	782	9.69	371	9.97	412	13.44	-	-	-	-	-	-
11.	Teavi Potan Ksh. Gr. Bank	1518	35.05	776	10.26	-	-	-	-	-	-	-	-
12.	Gontl Gr. Bank	471	11.13	223	9.56	118	3.77	-	-	-	-	-	-
13.	Vindhyavasini Gr. Bank	-	-	-	-	-	-	-	-	-	-	-	-
	Eastern Uttar Pradesh	26746	433.25	15639	235.36	30105	332.23	-	-	-	-	-	-
	Rest of Uttar Pradesh	77930	2284.96	14665	423.51	22061	722.34	-	-	-	-	-	-
	All Uttar Pradesh	104726	2718.22	30504	658.87	52166	1054.57	-	-	-	-	-	-
	All India	1441336	27478.24	494154	1136.55	147470	3663.96	-	-	-	-	-	-

contd....

Annexure 6A contd...

Sl. No.	Name of the RROs	Till				Jan. to June 1996				Jan. to June 1996			
		Sal. to Dec. 1994	Sal. to June 1995	Sal. to June 1996	Sal. to June 1996	Sal. to Dec. 1994	Sal. to June 1995	Sal. to June 1996	Sal. to June 1996	Sal. to Dec. 1994	Sal. to June 1995	Sal. to June 1996	Sal. to June 1996
		no. of A/cs	Amount A/cs	no. of A/cs	Amount A/cs	no. of A/cs	Amount A/cs	no. of A/cs	Amount A/cs	no. of A/cs	Amount A/cs	no. of A/cs	Amount A/cs
1.	Gorakhpur Kh. Gr. Bank	4900	218.37	1997	57.77	3595	622.32						
2.	Bamaut Kh. Gr. Bank	11709	249.59	1925	772.13	929	266.23						
3.	Bellia Kh. Gr. Bank	9763	175.33	-	-	4790	130.25						
4.	Sultanpur Kh. Gr. Bank	14053	207.71	4029	75.12	12041	55.57						
5.	Saraswati Gr. Bank	3984	141.22	5056	191.97	-	-						
6.	Kashi Gr. Bank	7749	192.71	4156	194.30	3230	131.59						
7.	Jasti Gr. Bank	5092	600.30	5436	548.30	6099	16.14						
8.	Allahabad Kh. Gr. Bank	5187	104.30	3380	73.23	-	-						
9.	Pratapnagar Kh. Gr. Bank	16911	343.23	-	-	605	15.71						
10.	Palzebad Kh. Gr. Bank	4442	-	-	-	791	16.55						
11.	Devi Pota Kh. Gr. Bank	4525	125.92	3030	136.07	4537	112.50						
12.	Govt Gr. Bank	1753	128.23	3223	75.04	-	-						
13.	Vindhyavasini Gr. Bank		32.92	1040	23.81	1142	24.55						
<hr/>													
	Eastern Uttar Pradesh	133962	2527.55	93919	1555.34	78905	1391.43						
	Rest of Uttar Pradesh	192037	5018.52	53065	1335.01	62061	1986.46						
	All Uttar Pradesh	325999	7546.07	146984	2890.35	140966	3277.89						
	All India	2406179	49253.77	1005662	22015.32	565640	13962.55						

Annexure 6-C

Break-up of Assets of RRAs excluding loans and Advances of Eastern R.R. as at the end of December, 1981.

(Amount in lakhs of rupees)

Sl. no.	Name of the RRA	Cash in hand & with RRI Banks		Balances with other Banks		Money at call & short notice		Investments		Fixed Assets		Other assets		Total assets	
		amount	amount	amount	amount	amount	amount	amount	amount	amount	amount	amount	amount	amount	amount
1.	Gorakhpur Ksh. Gr. Bank	38.47		1109.19		230.00		4.10		-		152.61		3653.15	
2.	Sanyut Ksh. Gr. Bank	29.18		240.76		-		615.10		-		41.55		1453.90	
3.	Ballia Ksh. Gr. Bank	19.98		202.41		-		0.30		-		6.11		656.39	
4.	Sultanpur Ksh. Gr. Bank	26.74		344.80		-		124.80		-		29.47		1080.84	
5.	Saraswati Gr. Bank	14.01		47.78		-		-		-		11.04		137.89	
6.	Kashi Gr. Bank	4.89		9.55		-		26.50		-		7.50		76.32	
7.	Basti Gr. Bank	3.45		24.97		9.00		-		-		7.24		93.08	
8.	Allahabad Ksh. Gr. Bank	5.59		3.70		-		43.80		-		31.20		89.36	
9.	Pratapgarh Ksh. Gr. Bank	3.59		19.11		-		34.25		-		7.16		71.32	
10.	Faizabad Ksh. Gr. Bank	1.74		5.92		25.00		0.10		-		3.53		43.48	
11.	Devi Patan Ksh. Gr. Bank	1.98		16.77		-		100.00		-		5.61		136.51	
12.	Gomti Gr. Bank	1.64		15.11		-		25.00		-		3.53		50.96	
13.	Vindhya Vasini Gr. Bank	-		-		-		-		-		-		-	
Eastern Uttar Pradesh		151.26		2040.07		914.00		73.75		-		306.55		8547.69	
Rest of Uttar Pradesh		243.45		1221.66		635.74		1028.63		-		503.49		5474.17	
All Uttar Pradesh		397.71		3261.73		1549.74		1102.49		-		810.04		14021.86	
All India		1379.40		12759.43		3025.92		3988.79		1.42		2001.20		63465.32	

Source : Statistics on Regional Rural Banks, NABARD, Bombay, June, 1985.

contd...

Annexure 6-2 contd..

Break-up of Assets of RRBs of Eastern U.P. as at the end of December, 1982 (Amt. in lakhs of Rs)

Sl. No.	Name of the RRBs	Cash in hand & with RBI		Balances with other Banks		Money at call and short notice		Investment	Fixed Assets	Other Assets	Total Assets
		Amount	Amount	Amount	Amount	Amount	Amount				
1.	Oerakhpur Ksh. Gr. Bank	52.55	948.31	1360.00	4.00	-	198.23	4514.42			
2.	Sanyut Ksh. Gr. Bank	45.49	429.80	-	555.00	-	65.33	1986.37			
3.	Ballia Ksh. Gr. Bank	24.84	203.85	-	0.10	-	8.84	879.86			
4.	Sultanpur Ksh. Gr. Bank	29.14	371.98	164.50	0.30	-	37.80	1337.91			
5.	Saraswati Gr. Bank	23.33	83.79	-	33.00	-	41.64	361.83			
6.	Kashi Gr. Bank	12.37	43.55	-	64.00	-	11.74	231.52			
7.	Basti Gr. Bank	6.95	75.26	47.00	0.10	-	12.32	269.72			
8.	Allahabad Ksh. Gr. Bank	9.42	54.22	-	0.10	-	137.49	279.30			
9.	Pratapgarh Ksh. Gr. Bank	9.47	195.75	-	24.25	-	96.96	432.77			
10.	Faizabad Ksh. Gr. Bank	7.43	50.56	41.00	0.10	-	13.33	163.83			
11.	Devi Patan Ksh. Gr. Bank	4.73	43.81	-	82.00	-	15.73	196.93			
12.	Gomti Gr. Bank	9.12	68.89	-	-	-	17.54	201.98			
13.	Vindhyavasini Gr. Bank	-	-	-	-	-	-	-			
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	Eastern Uttar Pradesh	234.84	9.77	1612.50	762.95	-	657.05	10955.44			
	Rest of Uttar Pradesh	387.73	4733.24	1010.23	92.98	0.93	825.22	10386.12			
	All Uttar Pradesh	622.57	4743.01	2622.73	855.93	0.93	1482.27	21341.56			
	All India	1945.71	19257.35	4339.77	4985.28	57.26	5001.62	94264.62			

Annexure 6-C contd...

Break-up of Assets of RRBs of Eastern Uttar Pradesh as at the end of Dec. 1981.

Sl. No.	Name of the RRB	(Amount in lakhs of Rupees)						
		Cash in hand and with RBI	Balances with other Banks	Money at call and short notice	Investments	Fixed Assets	Other Assets	Total Assets
		Amount	Amount	Amount	Amount	Amount	Amount	Amount
1.	Gorakhpur Ksh. Gr. Bank	167.48	1194.38	1890.00	0.99	9.07	254.61	5637.74
2.	Samgat Ksh. Gr. Bank	109.17	1225.29	-	-	22.92	36.66	2562.52
3.	Ballia Ksh. Gr. Bank	58.78	350.84	-	-	5.85	3.71	1141.75
4.	Sultanpur Ksh. Gr. Bank	57.06	358.21	-	339.50	13.50	35.11	1604.17
5.	Saraswati Gr. Bank	47.50	176.37	-	-	12.29	16.33	581.44
6.	Kashi Gr. Bank	29.51	206.63	-	-	12.43	6.84	500.51
7.	Basti Gr. Bank	132.51	-	90.00	-	9.01	7.46	574.33
8.	Allahabad Ksh. Gr. Bank	27.17	255.26	-	-	12.05	9.23	471.50
9.	Pratapgarh Ksh. Gr. Bank	13.45	164.48	-	-	15.43	52.18	493.05
10.	Faizabad Ksh. Gr. Bank	11.86	46.13	41.00	0.10	9.10	4.29	163.83
11.	Devi Patan Ksh. Gr. Bank	16.87	103.13	-	-	13.51	16.86	317.79
12.	Gouti Gr. Bank	36.69	162.72	-	-	11.48	7.94	443.30
13.	Vinayavasini Gr. Bank	1.88	31.94	20.00	-	3.11	1.82	62.29
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Eastern Uttar Pradesh		709.93	4275.38	2041.00	340.59	149.75	453.04	14554.22
Rest of Uttar Pradesh		866.50	2495.66	1542.25	-	200.24	891.33	13271.61
All Uttar Pradesh		1576.43	6771.04	3583.25	340.59	349.99	1344.37	27825.83
All India		7131.09	28647.83	5725.20	381.74	1475.62	3800.88	124634.50

Annexure 6-C contd...

Break-up of Assets of RBs of Eastern Uttar Pradesh as at the end of December, 1984

(Amt. in lakhs of Rs.)

Sl. No.	Name of the RBs	Cash in hand and with RBI Banks		Balances with other banks		Money at call and short notice		Investments		Fixed Assets		Other Assets		Total Assets	
		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
1.	Gorakhpur Ksh. Gr. Bank	205.55	1434.49	2480.00	-	-	20.14	235.81	6909.30						
2.	Sanyut Ksh. Gr. Bank	170.65	1582.98	-	-	-	24.85	37.43	3313.22						
3.	Ballia Ksh. Gr. Bank	154.37	436.19	-	-	-	11.37	3.95	1578.22						
4.	Sultanpur Ksh. Gr. Bank	92.09	324.03	-	-	606.00	13.13	26.73	1999.90						
5.	Saranwati Gr. Bank	57.31	192.91	2.04	-	-	13.32	12.89	945.52						
6.	Kashi Gr. Bank	67.13	252.49	-	-	-	15.45	31.31	824.32						
7.	Basti Gr. Bank	270.26	-	300.00	-	-	11.24	13.78	1200.03						
8.	Allahabad Ksh. Gr. Bank	37.81	373.84	-	-	-	13.81	18.80	762.46						
9.	Pratapgarh Ksh. Gr. Bank	22.27	346.68	-	-	-	17.56	21.09	783.90						
10.	Faizabad Ksh. Gr. Bank	24.33	132.86	22.50	-	-	13.06	7.35	339.87						
11.	Devi Patan Ksh. Gr. Bank	29.19	162.24	-	-	-	20.78	26.04	579.60						
12.	Gomti Gr. Bank	57.05	362.19	-	-	-	13.25	10.84	833.21						
13.	Vinhyavasini Gr. Bank	7.67	49.45	5.00	-	-	7.50	5.19	110.44						
	Eastern Uttar Pradesh	1185.68	5650.33	2809.54	606.00	205.46	451.21	20178.89							
	Rest of Uttar Pradesh	986.90	2920.58	2285.22	-	275.08	816.85	19381.50							
	All Uttar Pradesh	2172.58	8570.91	5094.76	606.00	480.54	1268.06	38560.39							
	All India	9499.37	38099.00	8572.42	633.36	1986.13	4931.62	171785.78							

Annexure 6-BEligibility criteria for refinance from National Bank under Schematic Lending for Banks i.e. State Co-operative Banks, District Co-operative Banks, Commercial Banks and RRBs1. State Co-operative Banks and District Co-operative Banks :

These banks should have a minimum recovery performance of 60% of the demand as on 30 June of the preceding year to be eligible for re-finance from National Bank.

2. Commercial Banks (CB) and RRBs :2.1 Eligibility Criteria

With effect from 1 July 1986, the branch of a commercial bank will be treated as a unit for the purpose of determining the eligibility. However, in the case of a RRB, the bank as a whole will be treated as a unit. The re-finance to be made available by NABARD in any fiscal year (1 July to 30 June) to a CB for lending through any of its branches and to a RRB as a whole will be based on the annual recovery percentage to demand in respect of medium and long-term agricultural loans made by the concerned branch of RRB as on 30 June of the preceding fiscal year. In the case of CB branches/RRBs located in any part of India except the States/Union Territories of Arunachal Pradesh, Assam, Manipur

Annexure-6D (contd.)

Assam, Arunachal Pradesh, Mizoram, Nagaland, Tripura and Sikkim, the following criteria for eligibility will apply :

Recovery (% of demand)

Eligibility

(a) Category I

Not less than 75%

Unlimited re-financing from
MIDARD.

(b) Category II

i) Upto December 31,
1987 - 60% to 74%

(a) Upto the highest lending
level in respect of medium
and long-term agricultural
loans in any of the preceding
five fiscal years, or

ii) Commencing January
1, 1988 and there-
after 65% to 74%

(b) Upto the amount of recovery
of medium and long-term
agricultural loans in the
preceding fiscal year, or

(c) The average of the amount of
recovery of medium and long-
term agricultural loans during
the preceding three fiscal
years whichever is higher.

(c) Category III

i) Upto December
31, 1987,
36% to 59%

(a) Upto the amount of recovery
of medium and long-term
agricultural loans in the
preceding fiscal year, or

ii) Commencing January
1, 1988 and there-
after, 41% to 64%

(b) The average of the amount of
recovery of medium and long-
term agricultural loans
during the preceding three
fiscal years, whichever is
higher.

Annexure - 6 (contd.)**(d) Category IV**

- 1) Upto December 31, 1987 upto 35%

Re-finance will be progressively reduced depending on the number of years, commencing from fiscal year 1986-87 in which a CB branch/RRB remains in the category as follows :

- ii) Commencing January 1, 1988 and thereafter upto 40%.

(a) In the first fiscal year in which it falls in this category :

- i) 75% of the amount of recovery of medium and long-term agricultural loans in the preceding fiscal year, or

- ii) 75% of the average of the amount of recovery of medium and long-term agricultural loans during the preceding three fiscal years, whichever is higher.

(b) In the second fiscal year in which it remains in this category :

- i) 50% of the amount of recovery of medium and long-term agricultural loans in the preceding fiscal year, or

- ii) 50% of the average of the amount of recovery of medium and long-term agricultural loans during the preceding three fiscal years, whichever is higher and

(c) In the third fiscal year in which it still remains in this category and thereafter :

- i) 25% of the amount of recovery of medium and long-term agricultural loans in the preceding fiscal year, or

Annexure-6D (contd.)

- 11) 25% of the average of the amount of recovery of medium and long-term agricultural loans during preceding three fiscal years, whichever is higher, provided, however, if any CB branch/RRB demonstrates an improvement in its recovery of not less than 7 percentage points in a fiscal year, re-finance will not be reduced under (a), (b) and (c) above.

2.2 In the case of CB ranches/RRBs located in the States/ Union Territories of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim, the following criteria for eligibility will apply -

Recovery (% of demand)Eligibility(a) Category I

Not less than
75%

Unlimited re-financing from
NABARD.

(b) Category II

60% to 74%

- (a) Upto the highest lending level in respect of medium and long-term agricultural loans in any of the preceding five fiscal years, or
- (b) Upto the amount of recovery of medium and long-term agricultural loans in the preceding fiscal year, or
- (c) The average of the amount of medium and long-term agricultural loans during the preceding three fiscal years, whichever is higher.

(c) Category III

Upto 59%

- (a) Upto the amount of recovery of medium and long-term agricultural loans in the preceding fiscal year, or

Annexure-6) (contd.)

- (b) The average of the amount of recovery of medium and long-term agricultural loans during the preceding three fiscal years, whichever is higher.

2.3 The eligibility should be calculated only on the basis of percentage of recovery of demand in respect of direct medium and long-term loans for agriculture and allied activities. In other words, all short-term loans and all indirect loans for agriculture and allied activities will be excluded.

2.4 While reckoning the percentage of recovery to demand for the purpose of arriving at the eligibility of a CB branch/RRB, the demand in respect of the following categories of loans and advances shall be excluded :

- (i) Medium and long-term loans for agriculture and allied activities in respect of which claims were settled by Deposit Insurance and Credit Guarantee Corporation (DICGC).
- (ii) Claims settled under the model failed wells compensation scheme. Similarly, realisation of any amount in respect of the above categories of loans will not be counted as recovery for the purpose of determining the eligibility for re-finance.

2.5 A CB branch/RRB with restricted eligibility should, in the first instance, utilise the re-finance from NABARD towards meeting the committed expenditure under on-going schemes and the residual portion towards financing IRDP, small farmers, marginal farmers and other weaker sections.

2.6 A CB branch and a RRB should calculate its eligibility with reference to the DCB register maintained for the purpose. The HO/controlling office of the CB shall invariably submit the details of eligibility of all branches on whose behalf drawals of re-finance are applied for in the prescribed standard formats depending on the category-wise. It may be noted that drawals will not be allowed in respect of such branches as do not satisfy the norms indicated above; no drawals would be permitted on the basis of certificate as was the practice hitherto.

2.7 It is expected that the DCB statement for any year ending 30 June would be available within a period of three months, i.e. by 30 September of the succeeding fiscal year. The

Annexure - 6) (contd.)

Drawals to be made after 30 September each year should invariably be supported by the DCS position of each of the concerned branches as of 30 June of the immediately preceding fiscal year. Till then, i.e., between 1 July to 30 September of that year, the drawals to be made can be based on the DCS position of the concerned branch/ RAS with reference to the position as obtaining as at the end of 30 June of the previous fiscal year. The following table will make the position clear.

Drawal application made during	Recovery position to be submitted to RAS/RAS
(1) 1 July 1986 to 30 September 1986	Position of recovery as of 30 June 1985.
(2) 1 October 1986 to 30 September 1987	Position of recovery as of 30 June 1986.
(3) 1 October 1987 to 30 September 1988.	Position of recovery as of 30 June 1987.
(4) 1 October 1988 to 30 June 1989.	Position of recovery as of 30 June 1988.

2.8 Drawals of re-finance from 1 July to 30 September each year will be adjusted against the eligibility computed on the basis of percentage of recovery to demand as of 30 June of the immediately preceding fiscal year.

2.9 In the interpretation of the eligibility criteria, the following terms will have the meaning as indicated below :

- (1) Agricultural loans means direct loans for agriculture including those for Horticulture, Animal Husbandry, Forestry, Dairy, Poultry Farming, Pisciculture and other allied activities.
- (2) Demand means the aggregate of principal and interest on medium-term and long-term agricultural loans during the fiscal year under consideration plus overdues from previous fiscal years.
- (3) Fiscal year means the year starting from 1 July and ending on 30 June. For example fiscal year 1985-86 means year from 1 July 1985 to 30 June 1986.

Annexure -6) (Contd.)

- (4) Highest lending level of advances made for agriculture during the concerned fiscal year.
- (5) Medium-term and long-term loans given for fixed term for a period not being less than eighteen months.
- (6) Overdues - That part of the demand which has not been collected.
- (7) Direct loans - The eligibility criteria is applicable only to direct term loans for agriculture and allied activities where the loanee is the direct user/beneficiary of the loans granted to them. The criteria is not applicable to indirect loans such as those granted through PACS/SS/LAMPS and corporate bodies which serve as channels/agencies. However, loans to State Electricity Boards, Forest Development Corporations, Fisheries Development Corporations, etc. would be treated as direct loans in case where these corporate bodies are the direct users/beneficiaries of the loans.

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